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THE Nation

October 2, 1954

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The Great Giveaway

EVERY WEEK SINCE 1865

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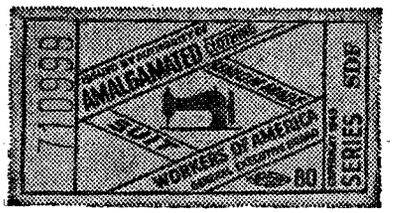

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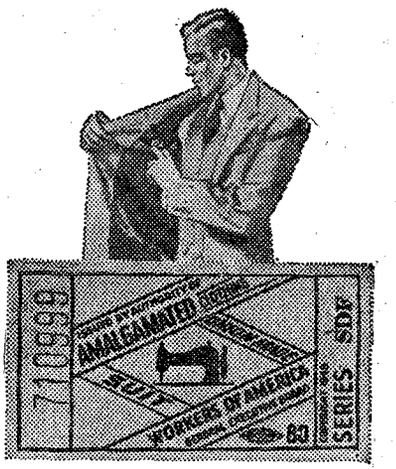

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THE Nation

EVERY WEEK SINCE 1865

EDITORIALS

The Great Giveaway

BACK in February, 1953, when the first trainloads of eager lobbyists began pouring into Washington to greet the new Administration, Bruce Catton, our correspondent there, took one look and reported:

> They are coming in hungry, and they are not hungry for peanuts. The vast public-utility, oil, mining, and lumber interests that supported the Republican campaign are getting ready to move in on America's natural resources, and what they want is all the country has got. The new Administration is prepared to make things easy for them, and the program is beginning to look clear. It adds up to what is probably the greatest raid on the national wealth ever contemplated.

A man with a sense of history, Catton brilliantly anticipated the Great Giveaway. In two years the Administration has carried forward a giveaway program unmatched in our history, and the next two years may be more extravagant than the first. For despite stout opposition on some issues—the twelve-day filibuster on the atomic bill is a case in point—the Administration has every intention of going steadily forward with its giveaways unless the voters call a halt.

The first real test will come on November 2. For the key *partisan* issue in this campaign, we believe, is the Great Giveaway. On such vital questions as foreign policy and civil liberties, responsibility for the present unhappy state of American affairs is basically bipartisan. But since President Roosevelt's first term, the two major parties have steadily affirmed sharply contrasting concepts of the role of government in the management of the economy; on this issue the voters can sense a difference. In any case, it has been with bread-and-butter economic issues that voters have shown the most consistent concern. Farmers may be worried about foreign policy and civil liberties, but their votes are likely to turn on the issue of parity prices—in the absence, that is, of clear-cut differences between the two major parties on other key issues.

Everyone is interested in peace or war, but how can foreign policy be a major issue when neither party has a clear-cut policy, when both are responsible for recent American diplomatic defeats, and when the voters, no matter how deep their concern, are offered no real alternatives? The same with civil liberties. However tragic the fact may be, the electorate cannot fairly be expected to decide this election on any issues other than those relating to the Great Giveaway, since only here are they able to feel and weigh significant partisan differences. It is hard to see how any voter's feelings about NATO and E. D. C., for example, could persuade him to vote one way or another in this election, but every voter understands that a hundred billion dollars—Representative Franklin D. Roosevelt's estimate of the value of the Great Giveaways to date—is a lot of money.

No one, of course, can reckon the total for the giveaways to date; only estimates are possible. Who knows the value of the underseas oil reserves? Is it ten billion dollars or thirty billion or three hundred billion? Who knows the value of atomic power? "It is a fact," writes Senator Herbert H. Lehman, "that in the unleashed energy of the atom there is more power potential than that contained in all of the unmined coal in the United States, more than that contained in all of the developed and reserve oil pools in the United States, more than that produced by all the hydroelectric plants now in existence. . . . This is not a million-dollar giveaway or a billion-dollar giveaway. This is a giveaway of such proportions as to dwarf the imagination, and to beggar any numbers which are used to describe it."

HOWEVER the sum is reckoned, one thing is clear: if the Republicans don't get in power for another twenty years, they have already succeeded in doing right well for themselves and their chief contributors.

Last year was a banner year for dividend payments—$9,300,000,000—but this year the total may well be greater and this despite, in some cases, reduced sales. For example, duPont's sales in the first quarter of this year were $35,000,000 below the same quarter of 1953, *but taxes were nearly halved and net profits were higher by $7,000,000.* General Electric's sales were $62,000,000 lower, but taxes were $8,000,000 less and net profits were nearly $16,000,000 higher. General Motors sales were $136,000,000 lower but taxes were $177,000,000 less and net profits were up $36,000,000. "It is obvious," comments the Madison *Capital-Times,* "that the decision to let the excess-profits tax die at the beginning of 1954 was 'good for General Motors,' but the average person

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who has noticed no significant difference in his take-home pay will ponder what good this is doing the rest of the country."

Not only is the Great Giveaway the key partisan issue in this campaign—the issue on which most voters will make up their minds—but, seen in proper perspective, it is of major political interest. The Great Giveaway is quite unlike anything of the sort that we have known heretofore. It is not in the pattern of the Great Barbecue of the Grant Administration, and it would be even less realistic to say that it follows the pattern of events that unfolded when Harding and the Ohio gang took over in Washington. "Little black bags" have no part in the current giveaway. It is as misleading to think that the Great Giveaway is merely another in a long history of similar episodes as it is to believe that the current assault on civil liberties is "just another" episode like the Palmer raids.

This, so far as we know, is the first time that an Administration has come to power in Washington determined to give away all public assets not securely nailed down by constitutional or statutory provisions. In the past unscrupulous individuals and greedy interests, working impartially with Democratic and Republican administrations, have used political influence to enrich themselves. In the past, however, individuals and interests have been the initiators, and they have usually exploited some weakness in government, as, say, a corrupt official. But today the government is the initiator. This is an Administration *dedicated* to the giveaway. It has actively sought out opportunities to dispose of assets and resources. It is not being used so much as it is seeking to be useful. Let's face it: the Great Giveaway of the Eisenhower Administration is based on principle.

THE Great Giveaway gives us a chance to measure the enormous distance we have traveled, historically, politically, socially, since the days of Grant. "The Robber Barons"—Vanderbilt, Jay Cooke, Carnegie, Huntington, John D. Rockefeller, and the others—started out poor and ended up rich. In the process they were aided by favors from government—rebates, franchises, tariffs, land grants—and by favorable court decisions. But they fought each other harder than they fought to win these favors. Government aided them most, perhaps, by simply not interfering with their activities. The key words used by Matthew Josephson to characterize these robber barons suggest wherein they were unlike the corporate executives of today: "aggressive men," "sometimes lawless," "of volcanic energy" and "courage," possessed of qualities that "under another economic clime, might have fitted them for immensely useful social constructions, and rendered them glorious rather than hateful to their people." Characteristically this generation of tycoons wanted to

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exert their influence *in propria persona.* In most instances it was only after their spectacular achievements as empire builders that they began to think of exerting direct control over the federal government. It was to safeguard their empires and to keep the electorate in check that men like Leland Stanford, George Hearst, Chauncey Depew, Henry B. Payne, William Sharon, James G. Fair, Stephen B. Elkins, and William A. Clark appeared in the Senate.

NOR is the Great Giveaway to be compared with the giveaways, such as they were, of the Truman Administration. The Eisenhower team does not operate at the level of deep freezes and mink coats; it is not offering personal handouts to fixers, five percenters, close relatives, and "deserving" county committeemen. As a matter of fact, a key to the interest of this Administration in giveaways is to be found in the scarcity of available political patronage. Lacking jobs to give after twenty years of Democratic rule and civil-service priorities, they are giving away "business opportunities." This, definitely, is not a "government by cronies."

Besides, Republicans have somewhat different obligations than Democrats; they raise money at the top, the Democrats at the bottom. The corruption characteristic of the Truman Administration took the form of cases "fixed" by Internal Revenue officials, of cost-plus contracts granted on the suggestion of mysterious five percenters, of R. F. C. loans arranged for bankrupt concerns which retained the right lawyers and accountants. Indeed, all comparisons of this sort are likely to be misleading. To understand the Great Giveaway one must take a look at the circumstances which set it in motion.

As the 1952 campaign approached, the Republicans began to look about for popular issues. Up to this time they had fumed and fussed about "big government," but apparently it had not occurred to them that crusades are usually organized not to defend something but to get something. Finally, by just working at the issue of "statism," like a dog worrying with a bone, they hit upon the idea of giving it a more affirmative emphasis by suggesting that "big government" had some things which might be given *back,* not to the people, but to certain people. It is one thing to resist "creeping socialism" defensively, mournfully, with an eye on the past, but the response is much better when the barkers step forward and shout "Come and get it!"

The first significant intimation of something new in Republican tactics was provided when Charles E. Wilson, former president of General Electric, came forth with a "plan to end socialism in the United States." The plan had the merit of simplicity: Mr. Wilson wanted the government to sell as many businesses, power projects, and the like as possible, and to apply the proceeds in reduction of the national debt. Dismissed as somewhat fanciful in some quarters, the suggestion was greeted with enthusiasm by the Republican brain-trusters. For example, *U. S. News and World Report* suggested (September 26, 1952) that if the Republicans gained control of Congress and the White House, the Wilson plan would be quickly put into effect. Thrilled by these bold new vistas, various Republican spokesmen began to talk about the "profits" that might be realized from the sale of the Post Office franchise.

By the time of the inauguration interest in the "goodies" that the Administration had promised to distribute had become the major political passion among Republicans. "A new era is dawning," said *U. S. News and World Report* on May 1, 1953. Soon the Administration would begin to "desocialize" government. The tide of "socialism" which had crept up until the government found itself in possession of $130,000,000,000 worth of loans, insurance, factories, railroads, ships, and "countless other things" was about to turn. To inflame the imagination of the business executives among its readers, *U. S. News* prepared the following chart, which appeared under a dollar sign ($) caption:

UNCLE SAM'S BIGGEST BUSINESSES: HEADED FOR PRIVATE ENTERPRISE?

Insurance (face value, veterans' policies)	$49,354,000,000
Banking (loans to farmers, homeowners, miners, states, industries, cooperatives, foreign governments, etc.)	18,600,000,000
Armament factories	8,600,000,000
Stockpile of strategic materials	5,845,000,000
Merchant shipping	4,000,000,000
Atom facilities	3,800,000,000
Electric power	3,660,000,000
Housing, community facilities	1,064,000,000
Surplus farm products, U. S. owned	1,123,000,000
Synthetic rubber plants	750,000,000
Inland Waterways Corporation (barges)	27,000,000

As though stunned by the very boldness of the concept, the editors did not compute the total: $96,823,000,000, of, roughly, a hundred billion dollars.

ONCE in power, the Republicans set about preparing a more complete inventory of what was available for giveaways other than the major items of the type listed above, of which everyone was aware. By June, 1953, the House Committee on Government Operations could report, in a preliminary way, that the government had become the nation's largest insurer, electric-power producer, lender, landlord, grain owner, warehouse operator, and shipowner, and that it monopolized the world's biggest potential new industry—atomic energy. (Later a four-volume report was issued.) By midsummer, 1953, business executives had begun to worry about

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the "inventory recession" and were eager to find new business opportunities. As though by magic a strong pressure campaign got under way to compel Congress to turn over some of these highly advertised plums to private business. Indeed, the first business giveaway—of the Mississippi barge lines (see page 289)—was consummated within a week after the committee's first inventory was released.

The big government enterprises like T. V. A. did not, of course, need to be advertised; for these items eager bidders were standing by. What the House committee did was to whet the appetites of the "little business men," who were quite as eager as the big ones to get a slice of whatever it was that this Administration wanted "to give back." As its hearings continued, all sorts of new opportunities were unearthed. It was discovered that the government manufactured paint and rope, roasted coffee, made spectacles, dentures, and wooden legs, stored furniture, ran tugboats, repaired office furniture, cleaned windows, processed ferrous scrap, manufactured wooden boxes, operated supermarkets, sold liquor, and did all sorts of other things that might better be done, or so it seemed, by private business, for a profit. The big fat giveaways are of course the major concern of this special issue, but a word or two about the minor ones which have been held out, as lure, for the small fry helps to underscore the meaning of the Great Giveaway.

IN each instance an organized pressure group brought the initial complaint of "creeping socialism" to the attention of the House committee. Thus the Cordage Institute complained of the navy's famous ropewalk in Boston (established in 1828). The National Paint, Varnish, and Lacquer Association complained bitterly of the navy's equally famous paint-manufacturing establishments (founded in 1902). The National Retail Liquor Package Stores Association felt as outraged as the Women's Christian Temperance Union over the sale of package liquor in officers' clubs. The National Wooden Box Association called attention to the government's box-manufacturing plants. And the International Association of Ice Cream Manufacturers reported that the government was making ice cream, and of all flavors too, in exactly 162 locations. And so it went.

As the hearings went on, anxious retailers, worried about dwindling sales, began to grow pop-eyed with wonder, like youngsters staring at store windows full of Christmas toys and gadgets, when they learned of a far-flung system of Post Exchanges in which government personnel can buy, at remarkably low prices, many items other than necessities—everything, in fact, from earrings to salt shakers. In 1948, the last year for which complete figures are apparently available, 375 such exchanges did a business of $250,000,000. But the investigators were also brought up hard by some unpleasant facts. They had to admit, for example, the existence of something called "military socialism," which, more than any other factor perhaps, accounts for "creeping socialism" of the PX variety. And they were soon forced to realize that, on a strict cost basis, it would be difficult for private business to compete with many of these government operations. The shrewder members of the committee must now realize that many of the "goodies" promised Main Street store owners will never be delivered. But this promised giveaway, whether or not it will ever be fulfilled, has helped to keep the small fry happy while big business has walked away with major items that were not securely nailed down. And as a sop the little business men have been promised enactment of a bill known as the "Termination of Federal Commercial Activities Act," which theoretically will throw a little business their way.

SEEN in this perspective, the Great Giveaway has novel dimensions and aspects. For the last decade or so Congress has shown spasmodic interest in "reversing the trend toward socialism," but as Roger Stuart has pointed out in a recent series of articles for the Scripps-Howard newspapers, "until the present Administration came into being, relatively little was accomplished beyond mere talk." This Administration, however, is committed to a program of "rolling back" the trend toward socialism by giving away government assets and enterprises that private business might operate at a profit.

Admittedly this is a bold and ambitious program, but there is little reason to doubt that it will be systematically executed unless the people decide to put a stop to it on November 2. The Republicans, it must be emphasized, do not feel apologetic about the program; they are proud of it. They do not regard it as a "raid" on federal resources; nor have they been "bribed" to execute it. As they see it, they are engaged in a great effort to rewrite twenty years of history. "The central theme of the Eisenhower Administration," according to Senator Karl Mundt, "in all of its policies and programs, is to expand the opportunities and to increase the freedoms . . . of Mr. John American." Back in 1952 this same Mr. John American told Senator Mundt: "I've had enough of 'take-away' government. I want a government which will 'give away' some of its authority and its power by placing it back in the hands of ordinary people of America."

This, then, in Republican language, is the program which the Administration is carrying out as rapidly as it can. In short, the "public" side of our economy is to be kept to a bare minimum; at the same time the "private" side is to be expanded at the expense of the public by taking over all that is giveable and profitable from the other. Basically, this is the domestic program of the Eisenhower Administration, and it will be carried out to the letter if its proponents win in November.

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BILLIONS IN TRIBUTE

The Giveaway Score . . . *by Harry Levine*

THIS is an accounting of what the Eisenhower Administration has so far given to the few at the expense of the many. The table on page 276 shows that the giveaway has been at the rate of $13,000,000 a day, at the minimum, not including atomic energy. This is no abstract statistic; it represents a sum which is being taken directly out of the pockets of the American people in the form of inequitable tax levies, higher utility rates, higher loan rates, and other higher costs. What it does not cover, what no figure can adequately cover, is the billions in potential national wealth which, because of the giveaway, will eventually be realized not for the public good but for the private profit of the few.

The giveaway takes many forms. In the bulging cornucopia of the G. O. P. dams are jumbled in with quick tax write-offs, barge lines with price decontrols, great national resources with special tax provisions streamlined for the corporations. But whatever the form the outcome is the same: he that hath gets more and he that hath not gets it in the neck.

Utilities Grow Fat

UNDOUBTEDLY the biggest giveaways of the national wealth have been made to the private-utility companies. This is by no means an accident of circumstance. The National Association of Electric Companies, according to its own official reports, spent more money on Congressional lobbying last year than any other organization. The investment has paid handsome dividends. More than three billion dollars has gone to private gas, electric, and power companies or combines. Indirectly they are benefiting by even greater sums. At least twenty-seven federal power projects have been crippled by Congressional appropriation slashes which leave consumers at the mercy of the private companies operating in the areas. Senator Wayne Morse has called this attack on public power "the old tribute-collecting game—a form of legalized robbery of the public interest."

The most spectacular giveaway to the private utilities occurred this summer in the now famous Dixon-Yates episode. "Here was a deal," said Democratic National Chairman Stephen Mitchell, "to buy power from a plant to be built by Dixon-Yates, to meet the needs of the atomic-energy plant at Paducah. A competing syndicate offered to provide the power for $90,000,000 less than Dixon-Yates—and the T. V. A. would provide the power for $140,000,000 less. Yet the President issued a personal order to give the contract to Dixon-Yates—over the protest of both A. E. C. and T. V. A.—without competitive bidding." (See Gordon Clapp's article on page 286.)

Because friends of President Eisenhower were involved, the Dixon-Yates contract received more publicity than any giveaway since that of tidelands oil last year. The Sacramento *Bee,* for example, wanted to know how the President could reconcile his directive "with the written law of the land." Said the *Bee:* "The only exception [to competitive bids] allowed by law is a case where the Atomic Energy Commission certifies that 'such action is necessary in the interest of the common defense and security, or upon a showing that advertising is not reasonably practical.'"

In short, it took an outright violation of the law by the President of the United States to bring the power giveaway to the front pages of most of the nation's press. But Chairman Mitchell characterizes the Dixon-Yates scandal as "peanuts" compared to other giveaways engineered by the Eisenhower Administration. "Because the techniques of the 'big pay-off' are complicated and obscure," the magazine *Democratic Digest* remarked last month, "the general public has not fully realized what has been going on."

For instance, one of the biggest direct giveaways since Eisenhower became President has made no headlines; yet it will cost the American taxpayer $2,800,000,000. In this instance the technique used was exceptionally obscure. How many people paid any attention to the so-called "quick tax write-off" decision of the Federal Power Commission against the National Rural Electric Cooperative Association last December 4? The electric cooperatives serve fifteen million farmers and residents of small towns throughout the country.

The background to this story lies in the federal government's decision to encourage private capital to invest in war-time plant expansion by granting quick tax amortization, or write-offs, during the Korean conflict. Companies were permitted to depreciate the cost of a new plant, for tax purposes, over five years instead of a normal period of, say, thirty-three years. This meant that electric utilities, for example, were able to deduct 20 per cent of the cost of a new plant from their income taxes each year instead of a normal 3 per cent, thus writing off the cost of the entire plant in five years.

At the end of the five-year period, of course, the companies were permitted no further depreciation allowance. But in the meantime they had in effect received huge interest-free loans from the government. According to official figures gathered from the total of "quick-write-off" certificates granted to electric utilities during the Korean war, these interest-free loans amount to more than $840,000,000. The National Rural Electric Cooperative Association, in a brief submitted to the Federal Power Commission, pointed out that if the $840,000,000 had been invested at 6 per cent

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HARRY LEVINE is a free-lance writer specializing in the economic aspects of the Eisenhower Administration.

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A Handful of Combines

Among the major accomplishments of this past Congress, if you can call them accomplishments, were the most ruthless giveaways of our nation's resources in our country's history. They gave away tidelands oil and the synthetic-rubber plants. They gave $150,000,000 of electric power to the Dixon-Yates group. They tried to give Niagara Falls to five private utility companies, and if it were not for the efforts of people like Herbert Lehman in the United States Senate in the closing days of the session, they would have given away even more of our atomic resources than they did. The total of all this staggers the imagination. One hundred billion dollars in loot was given to a handful of business combines which had supported the Republican Party in 1952.—*Representative Franklin D. Roosevelt, Jr.*

over the normal thirty-three-year depreciation period, it would have amounted to more than $2,800,000,000.

It is true that many industries besides the electric utilities profited from the quick-write-off law, but their profits were checked, at least theoretically, by the 52 per cent excess-profits tax. The excess-profits tax, however, was not applied to utilities, which as regulated monopolies are supposedly limited in the profits they can earn.

The cooperatives entered no objection to the original war-time write-off law. But in their brief to the F. P. C. last winter they raised the question of what should be done now about the huge increase in the electric-utility companies' profits due directly to the write-off law. The brief insisted:

> The Federal Power Commission must take appropriate steps to prevent these overcharges, and any accounting changes which it requires must have in mind the prevention of these overcharges.

What were the appropriate steps the electric cooperatives urged the power commission to take? "The amount of the tax saving should be deducted from the rate base and charges to customers should be reduced accordingly," they declared. Actually, the association pointed out, consumers were legally entitled to a return "of the entire amount of the tax saving." But because such a drastic step might threaten the security of investors in private utilities, it simply suggested reduced rates that would reflect the real profit picture of the electric companies.

The newly appointed Republican majority of the commission found in favor of the electric companies. Only the lone remaining liberal member of the commission, Dale Doty, supported the cooperatives' position.

Dr. Clay Cochran, the N. R. E. C. A. economist who prepared most of the brief, told this reporter recently:

> All we really wanted was recognition by the F. P. C. of the true profit picture of the private utilities. Once this was accomplished, consumer groups who are currently being overcharged would then have been able to appear before the F. P. C. and ask for lowered rates. Furthermore, it would have prevented certain electric companies from asking for *increased* rates—acting on the claim that they weren't making their full 6 per cent profit.
>
> What we—and consumers across the country—got instead was a slap in the face.

ONE of the slickest giveaways to private utilities is accomplished through the little-known Hinshaw bill, which slipped through Congress and was quickly signed by President Eisenhower last March. That flagrant measure will result in higher gas bills to consumers throughout the country, but will attract attention only as its effects are felt in individual communities. No one can estimate what it will cost all told. The Cleveland *Plain Dealer* estimates the cost to the customers of one Ohio company alone—the East Ohio Gas Company—at more than three million dollars a year.

The bill permits any large gas company to set up a wholly owned subsidiary to sell gas within one state and thus avoid federal regulation on that part of its operation. "This opens the way for pipe companies to create subsidiaries to which they may sell gas for resale," commented the Milwaukee *Journal*. "It adds another step to the distribution system, and thus another point at which natural-gas interests can make a profit." In an industry which grossed well over two billion last year this can amount to a tidy profit.

One clear example of how this particular giveaway operates was cited by Senator Thomas Burke of Ohio in his maiden speech before the Senate:

> The Ohio Public Utility Commission allows a utility to value its equipment at replacement cost, minus depreciation, whereas the Federal Power Commission figures equipment at actual cost, regardless of when it was bought. Thus if equipment bought in 1935 at one million dollars and still usable were valued at today's replacement cost minus depreciation, the total would be much higher than one million. The Ohio Public Utilities Commission allowance would thus be much higher than the Federal Power Commission's.

Burke estimated that if the East Ohio Gas Company were removed from the F. P. C.'s jurisdiction, the base on which its investments are figured would be increased by twenty-five million. On this increase, he said, "a 6 per cent rate of return and a 50 per cent income tax rate would result in three million dollars more in annual charges to customers."

What is particularly disturbing about this giveaway is the way it was carried out. Representative Carl Hinshaw of California, the ranking majority member of the House Interstate and Foreign Commerce Committee, held one hearing on it and promptly sent it to the House, which passed it two days later. In the Senate, John Bricker, chairman of the Senate Interstate and Foreign Commerce Committee, received it, approved it without hearings, and sent it to the Senate all on the same day.

Bricker's hasty maneuver provides a glimpse of the most cynical aspect of the great giveaway rush. It seems a throwback to the depredations of the robber barons of a hundred years ago. Not only is Bricker chairman of the Commerce Committee, but his law firm numbers among its clients such corporations as the Pennsylvania Railroad, which has paid the firm more than $200,000 in fees during the past seven years, and—what is hardly a surprise—the East Ohio Gas Company.

Even the conservative Scripps-Howard *Cleveland Press* found Bricker's part in the Hinshaw bill difficult to stomach. On March 27, shortly after the bill was passed, the *Press* remarked:

> Public servants are public servants. The same standards that are expected of policemen, of Cabinet officers, of internal-

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revenue collectors, and of judges must be demanded of all public officials.

Bricker has the obligation to make his decision clear. Either he is a lawyer engaged in private practice, including the influencing of legislation, or he is a United States Senator. He can't be both.

Because of Bricker's role in the passage of the Hinshaw bill the East Ohio Gas Company's bonanza has received some publicity. Bonanzas to other companies have not. Already twenty gas companies have been freed from F. P. C. control. Only a few weeks ago the commission exempted six in one batch—the United Gas Improvement Company of Philadelphia, the New York State Electric and Gas Corporation of Ithaca, New York, the Commonwealth Natural Gas Corporation of Richmond, Virginia, the Hartford Gas Company of Hartford, Connecticut, the Central Illinois Public Service Company of Springfield, Illinois, and the Delta Natural Gas Company of Owensville, Kentucky.

THE assault by the gas companies on the public interest continues on every level of government. The "recasting" of the Federal Power Commission predicted by Bruce Catton in March, 1953, has been accomplished. The new Republican F. P. C. is abdicating its regulatory power with almost reckless abandon.

The case of Panhandle Eastern Pipeline Company last spring is a good example. This is the case which caused columnist Thomas L. Stokes to write: "The federal regulatory agencies now have been made over into the image of the business and financial interests they are supposed to regulate." Here, Stokes added, "is the 'change' hoped for by business men and financiers who contributed so generously to the 1952 Eisenhower campaign."

In the Panhandle Eastern decision the F. P. C. broadened the company's rate base, permitting an annual rate increase of more than twelve million dollars. The facts are these. Many years ago the F. P. C. decided that the gas which pipeline companies produce from their own wells must be sold at a price which gives no more than a "fair and reasonable return" on the pipeline's investment in those properties. The figure was pegged at about 5 or 6 per cent. Because pipeline companies have sometimes acquired gas fields at bargain prices, one or two cents per thousand cubic feet of gas was often enough to give them the return to which they were entitled on the gas they produced. At the same time a pipeline might be buying gas from independent producers, not in the pipeline business, at 8 to 10 cents per thousand cubic feet. In the Panhandle Eastern case the F. P. C. switched to the view that pipelines were entitled to higher profits on their own gas fields.

"The new F. P. C. decision," reported the Denver *Post* on April 24, "was taken against the advice and arguments of its own staff of regulatory experts. Millions in extra charges by other gas companies will follow this one. This is the greatest victory the pipeline companies have won since the Natural Gas Act was passed by Congress in the 1930's."

Public-Power Grab

BUT the real meat-and-potatoes helpings have been handed out in the field of public power. (See the article by Leland Olds on page 284.) Senator Wayne Morse has described the methods employed. "The Eisenhower Administration, I say, is pulling the wool over the eyes of the American people on this issue. What they are really doing, as the Southeastern power program shows, is asking the people to build dams and then to turn the power over to the private utilities at the dam sites. Who will profit? Not the people. They will pay tribute."

This is exactly what has been done. The principal victim has been the Rural Electrification Administration cooperatives, which are rapidly being bludgeoned to death. The first attack came in the form of a cut in the funds for federal transmission lines and generating facilities. Next two vital clauses were eliminated from federal power contracts—the preference clause and the withdrawal clause.

Under the preference clauses which have been part of our federal law for the past fifty years priority on power generated at government dams is given to certain groups—co-ops, public-utility districts, municipalities—which are willing to distribute the low-cost power on a non-profit basis, passing the benefits on to consumers. Private electric companies are allocated supplies of power from government dams only after the needs of the preference groups are met.

Last fall the new Secretary of the Interior announced revised "marketing criteria" for public-power projects in the Missouri Basin. This turned out to mean what Democrats call "a twenty-year deep freeze" for the preference clause. The new "criteria" required, first, that all preference groups estimate their power demands for the next twenty years. (Co-ops say it is impossible to estimate how many new milking machines and other power-using facilities will be acquired by their members in that period.) More important, if their demands increase, they will not be able to get additional power. Thus, the preference clause applies only at the time of the signing of the twenty-year contract. Secondly, preference groups must keep their twenty-year estimates low. Under the new contracts, if their actual power purchases fall short of the estimates submitted this year, they must pay a penalty on the excess of their predicted needs over their actual purchases. This vise-like restraint may leave many co-ops short of low-cost power in future years and hence at the mercy of private utilities. Thirdly, as a clincher, the new twenty-year contracts were presented to co-ops on a "sign-or-nothing" basis. Those who didn't sign ran the risk of getting no additional power.

The withdrawal clause was another protection for preference users. It was found in most power contracts between federal power agencies and private utilities and provided that if the demands of the preference users expanded, the federal agency would be permitted to withdraw from its contract with the private electric company, after due notice.

The elimination of these clauses by the Interior Department has drawn protests from many groups feeling the squeeze, among them the Missouri Farmers' Association, the American Public Power Association, the National Farmers Union, and the Emergency Rural Electrification Committee of the ten Missouri Basin states.

The following federal power projects have suffered cuts in funds for transmission lines and generating facilities under the Eisenhower Administration:

Southwestern Power Administration.

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Its continuing fund was cut from $5,500,000 to $1,250,000. The slash could mean the end of many co-ops in the Southwest. Some will be left with customers but no source of power; others will have power sources in excess of capacity to consume.

Southeastern Power Administration. The $6,700,000 in the Democratic budget for construction of transmission lines was cut to zero by Eisenhower and Congress.

Bonneville Power Administration. Its construction fund was cut from $55,200,000 to $38,300,000, eliminating eleven transmission lines. Maintenance and operation funds were cut from $24,000,000 to $18,000,000.

American Falls Dam, Idaho. The dam is completed, but $833,000 to instal generating facilities was cut from the budget.

Bureau of Reclamation. Funds for four transmission lines were cut out—Yellow Tail–Billings line and substation, Wyoming; Flatiron-Valmont line, Colorado; Sioux City, Iowa, to Omaha, Nebraska, line; Gavins Point, South Dakota, to Belden, Nebraska, line and substation.

Army Engineers Civil Projects. At least seventeen have been either curtailed or stopped.

THE attack on public power goes on and on. In some cases the Administration has abandoned all pretense of representing the public—as in the now famous Hell's Canyon case. Under the previous Administration the government had planned a multi-purpose dam to harness the million-kilowatt potential of Hell's Canyon on the Oregon-Idaho border, the greatest natural dam site remaining in the United States. When the Idaho Power Company made application before the Federal Power Commission to build three low-head dams on the Snake River as an alternative to Hell's Canyon, the Democratic Interior and Agriculture departments intervened. But on May 5 last year the new Secretary of the Interior, Douglas McKay ("we're here in the saddle as an Administration representing business and industry") announced withdrawal of his department's petition of intervention. Secretary of Agriculture Benson beat McKay to the punch. He withdrew his department's petition a few weeks after he took office.

If the Idaho Power Company gets its way, the consumers in the Oregon-Idaho-Washington area will certainly have to pay higher rates, and nearly a third of the water power at Hell's Canyon will be wasted—lost forever.

As usual, McKay's blessing to the Idaho Power Company last year emphasized the Administration's desire to let "local interests" play a bigger part in power development. But let no one imagine that the Idaho Power Company is a local corporation. "By an extraordinary coincidence," remarked Senator Wayne Morse, "McKay's May announcement withdrawing the Interior Department protest against licensing the Idaho Power Company in Hell's Canyon came the day before the corporation held its neighborly annual meeting in Bangor, Maine."

Hell's Canyon may yet be saved, but it won't be the doing of the Administration. After the government's with-

Giving Away More Than $13,000,000 a Day—*Minimum*

HERE are some of the principal items of the Great Giveaway carried out in 608 days of the Eisenhower Administration—from January 20, 1953, when interest rates on some types of United States bonds were raised, to August 31, this year, when the new tax bill was passed. Omitted because incalculable in dollars is the great atomic-energy giveaway; also omitted are a wide variety of smaller giveaways, some of them mentioned elsewhere in these pages, which together add up to many additional millions of dollars. The total of eight billion represents thirteen million a day.

January 20, 1953	
Increased interest rate on short-term bonds and certificates	$31,000,000
April 8, 1953	
Increased interest rate on 30-year 3¼ per cent bonds	225,000,000
April 22, 1953	
Increased interest rate on farmers' price-support loans	14,000,000
May 2, 1953	
Increased interest rate on G. I. home loans	286,000,000
Increased interest rate on F. H. A. home loans	87,000,000
May 18, 1953	
Increased interest rate on one-year 2⅝ per cent certificates	42,000,000
July 30, 1953	
Tidelands-oil giveaway	3,000,000,000*
December 4, 1953	
F. P. C. decision on private utilities' tax-write-off profits	2,800,000,000
March 1, 1954	
Increased subsidies to airlines	2,000,000
March 15, 1954	
Hinshaw gas bill (sample only)	3,000,000
April 13, 1954	
Sale of Louisiana "pilot" synthetic-fuel plant	50,000,000
Panhandle natural-gas decision	12,000,000
June 16, 1954	
Dixon-Yates power contract	140,000,000
July 28, 1954	
Helium giveaway (estimate)	15,000,000
Rifle, Colorado, giveaway	3,000,000
August 31, 1954	
Tax bill	1,400,000,000
Total	$8,110,000,000

*Estimates of the value of tidelands oil vary astonishingly. Dr. Wallace E. Pratt, petroleum geologist and former vice-president of Standard Oil of New Jersey, puts the figure at three hundred billion dollars. Senator James Murray's estimate is fifty billion. We here use an ultra-conservative figure based on a 10 per cent return on a total tidelands reserve of ten billion barrels, worth about thirty billion dollars (*Barron's* estimate).

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drawal, the National Hell's Canyon Association was formed to represent the public interest before the Federal Power Commission. This group, supported by labor, farm, and civic organizations, has retained counsel to oppose the Idaho Power Company. Hearings have continued for more than a year, and only this last-ditch fight by the association has kept the matter open.

Probably the most ironic incident in the Administration's war on public power has been its own fight against the T. V. A.

Because the Memphis area is threatened with a power "brown-out" by 1957, the T. V. A. requested funds for a steam generating plant near Fulton, Tennessee. The request was rejected by President Eisenhower last January. In his budget message the President suggested that since the Atomic Energy Commission would soon be obtaining some of the power needed by its atomic-energy plant at Paducah, Kentucky, from a private source, the T. V. A. would be able to reduce the amount of power it supplies to the A. E. C. and have more for customers within the T. V. A. system, thus ending the power shortage.

THIS brings us right back to Dixon and Yates.

Not long after the President's speech a syndicate of private utility holding companies—Middle South Utilities and Southern Company—came to the government with an unusual proposal. The syndicate—referred to as Dixon-Yates, the names of the two companies' presidents—suggested that it would sign a contract with the A. E. C. to build a power plant within the T. V. A. area which would enable the T. V. A. to get additional power and to continue to supply power to the A. E. C. plant at Paducah. However, besides costing the taxpayers $140,000,000 more than the original T. V. A. proposal, the Dixon-Yates plan had a peculiar disadvantage: both the T. V. A. and the A. E. C. were opposed to it.

Democratic Chairman Mitchell has said:

> Although the deal is obviously a purchase of power for T. V. A. the Administration refuses to face this fact directly. It refuses to go to the people and say honestly and directly that it will not allow T. V. A. to build any new plants for the power it needs, but will instead require T. V. A. to purchase that power from the utility industry.
>
> Instead, the Administration persists in the fiction that this deal will release to T. V. A., for its own use, power it is now delivering to A. E. C., and that the issue of having the utility industry furnish T. V. A.'s power requirements is not involved. And it is all fiction—for T. V. A. will still have to deliver to A. E. C. power which T. V. A. produces, and T. V. A. will have to use Dixon-Yates power for T. V. A. customers.

Nevertheless, on June 16 the President ordered the contract to be carried out. It has not been carried out yet, but all attempts to investigate this intricate deal have been stifled. Senator Langer, chairman of the Senate antimonopoly subcommittee announced on July 24 that "those in control of the Senate" had blocked his request for an investigation of the Dixon-Yates contract. "I have watched them appropriate money for a score of other things; and, as I say, I have listened with amusement to the excuses they have given for not giving us the small sum of money we asked for, after it was unanimously approved and reported by the Judiciary Committee to the Senate," Langer reported.

Many of the more scandalous features of the Dixon-Yates contract have been brought to light by now, but the most important issue seems to have been lost in the shuffle. As the Milwaukee *Journal* notes: "The question still remains—and Mitchell seems justified in asking an answer—as to why the President did direct the contract to go to a private company rather than letting T. V. A., which is in the power-producing business, provide the extra power needed by the A. E. C."

The entire callous attack on the T. V. A.—and beyond that on the whole tradition of public power—recalls a statement, made long before the Dixon-Yates affair came up, by Clyde Ellis, executive manager of the National Rural Electric Cooperative Association. After looking at the new Administration last year, Ellis declared: "It appears to be true beyond all doubt that those in authority today in Washington intend to fix federal power rates at the level established by the profit utilities. Federal power with local ownership of distribution facilities will no longer serve as a measure of the reasonableness of the rates of the profit utilities; instead, the rates of the profit utilities will become the basis for the establishment of federal power rates. This is the concept of the reverse yardstick."

A Message to Voters

Before you go to the polls in November you will want to check the voting records of all incumbents. You will want to know how they stood on the Great Giveaway.

Your Senator and Representative will furnish you with their voting records if you write for it. Or you can write to C. I. O.-P. A. C., 1342 Connecticut Avenue, Washington, D. C., for its guide to voting records in the Eighty-third Congress, or refer to "Guide to Politics, 1954," edited by Arthur M. Schlesinger, Jr., and Quincy Howe, and published by the Dial Press, 461 Fourth Avenue, New York.

Did your candidate vote to give away the federal power to regulate natural-gas prices? Did he vote to give tidelands oil to the coastal states? Did he approve the Dixon-Yates contract? Did he vote for the giveaway tax bill? Did he stand firm against the giveaways in the atomic energy bill?

A Million Here, a Million There

THERE are odd corners of the giveaway story which rarely come to light because they involve relatively small sums and relatively few people. But add them together and they run into more millions.

Last year Secretary of Agriculture Benson appointed a twenty-man Seed Industry Advisory Committee to help him get rid of government-held surplus seed stocks. In August, 1953, seed companies entered bids for 23,000,000 pounds; the bids were refused. Two months later the Department of Agriculture asked for bids on the same seeds and accepted the "best combination of bids." But the price obtained in October was a quarter-million dollars less than could have been got in August. Is it rele-

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vant that the final sale was made to a syndicate headed by Lloyd M. Brown, who happened to be chairman of Secretary Benson's Seed Industry Advisory Committee?

Raymond P. Brandt, writing recently in the St. Louis *Post-Dispatch*, told of a real-estate giveaway by which the Administration will be able to make "an ostensible showing of economy . . . while later administrations will foot the bill." The plan, approved by Congress, enables the government to buy buildings on a lease-purchase arrangement that substitutes low long-term payments for relatively large immediate appropriations by Congress. Senator Magnuson called the plan "a grab-bag for the money-lenders" which will "cost the taxpayers many millions more than the appropriation method" of purchase.

Giveaways have now been extended to the commercial airlines, which have been granted an additional two million dollars in subsidies for 1955—even though the biggest individual beneficiary, Pan-American Airways, has not had a complete audit of its books by the Civil Aeronautics Board since December, 1950. Ostensibly, the airlines will receive a record sum of $138,000,000 in subsidies for transporting the mail, but present estimates are that 28 per cent of this sum covers the cost of the mails. The remaining 72 per cent is straight subsidy. Pan-American will receive almost $40,000,000 next year. These figures were made public at the insistence of Democratic Representative John Rooney of New York at a meeting of the House Appropriations Committee this year.

Whose Atom Is It?

THE greatest giveaway of all, of course, is the atomic-energy giveaway. Involved are sums which are incalculable. Elsewhere in this issue Leland Olds points out that the nation's water-power resources are sixteen times greater than all our coal, oil, and natural-gas reserves put together. But potentially the energy of the waterfall is as nothing compared to that of the atom, in which is imprisoned the energy that may one day prove the source of all power on earth. This is the nature of the energy source which the Atomic Energy Act of 1954 takes away from the public domain and in large measure hands over to private interests.

It is impossible to place a dollar value on this deal. Yet in an account which is a kind of audit one must choose some figure to start with. The most appropriate is perhaps the twelve billion dollars of public money which the government has spent so far on its atomic-energy program, the fruits of which, under the new bill, now go to the private power interests.

"Make no mistake about it," warned Senator Morse during the debate on the bill, "S.3690 is definitely and primarily a power bill, but it is a bill designed to turn over the power features of the atomic-energy program to private industry rather than to guard the public interest in its twelve-billion-dollar investment in atomic-energy production." This is the most important fact about the Atomic Energy Act of 1954: it is a bill dealing with power—mainly electric power.

A statement prepared by the Federal Power Commission for the Joint Committee on Atomic Energy last year made this very clear:

> Current proposals to develop peacetime uses of atomic energy may involve some of the same problems faced in 1908, when federal water-power legislation was first proposed, and resolved in 1920, when the Federal Water Power Act was enacted. For by 1908 the nation had in water power, as it now has in atomic energy, a great energy resource, largely undeveloped but believed to be potentially very valuable.

The same fact was stated more forcefully by Senator Gore on July 22 of this year:

> Practically everyone will admit that falling water and navigable streams are natural resources which belong to all the people. There are those, however, who argue that atomic energy does not fall within this category. I submit that it does, because the people have paid twelve billion dollars for the development of this new resource; it is just as much a property of the people of the nation as is the falling water in a stream. The people through their government have discovered and developed this new source of energy; no private corporation can rightfully lay claim to it. The McMahon Act confirmed that principle when it vested in the government title to fissionable materials and nuclear processes.

AS first reported back to the Senate from committee, the new bill, entitled Revisions to the Atomic Energy Act of 1946, made possible the crudest kind of giveaway to big business and the private utilities. There was no preference clause, a provision found in every public power law for the past fifty years insuring to co-ops, municipalities, and other public groups priority to power generated at government sources. The Atomic Energy Commission was not empowered to supply its own atomic-power plants with electric energy; private companies would furnish it. Private companies licensed to use atomic energy to create electric power were not placed under the regulatory provisions of the Federal Power Act. Private companies were permitted to take out patent rights on atomic energy after an almost meaningless buffer period of five years, during which all patents would be openly shared by all comers.

The original bill as reported in joint committee was, to quote Representatives Chet Holifield and Melvin Price in their dissenting report, "barren of any recognition of the public interest in securing electric energy from this new resource at the lowest possible rates." "Experience has shown," the two Congressmen added, "that such regulatory authority is entirely inadequate to protect the public interest in electric power developed from public resources unless supplemented by specific standards governing licenses and the availability of public or cooperative competition in the distribution of electric energy."

Because of the fight by Representatives Holifield and Price, and Senators Gore, Morse, Magnuson, Monroney, Lehman, and a few others, many of the bill's original inadequacies were finally modified in the public's favor; the buffer period, however, was simply lengthened from five to ten years. It is still an almost meaningless provision. It is also the fulcrum for the great atomic giveaway.

One thing that makes the atomic-energy law a giveaway is the very cost of atomic energy. The federal government has had to spend twelve billion dollars so far—more than private industry could have ever hoped to spend—on basic re-

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search and military production. Only a few of the industrial giants were able to participate jointly with the government in research—with the government footing the bill.

Under the new law, the Atomic Energy Commission will issue licenses to private firms for development of commercial uses of the atom. It is assumed by the bill's authors that since a license may be issued to any person or firm which meets the qualifications, everyone has an equal opportunity to get a license. "Such an assumption ignores the development of the atomic program from the effectuation of the 1946 act until now," says Senator Gore. "It is painfully plain that those few corporations which have been privileged to be on the inside on research which has taken place to date will have a head start on those not so fortunately situated."

This statement was supported by Senator Magnuson of Washington during Senate debate of the bill. Its truth, he said, had recently been apparent at the Hanover atomic-energy plant, where "only two corporations" were "considered in the negotiations, General Electric and Westinghouse . . . those two corporations, that is all, in all of the negotiations with the commission."

UNDER the McMahon Act of 1946 all patents on inventions and discoveries useful in the production of fissionable material were outlawed. Patents were allowed in the so-called non-military field but were subject to a "public-interest declaration" which represented a form of compulsory licensing. In effect all firms were automatically granted permission to use the invention or discovery. Under the new act the same compulsory licensing is required, but only for ten years. After that all patents go out of the public domain. Since no one expects private atomic-energy plants to be in operation before another five or ten years, the provision is obviously suspect.

Originally, when the bill provided for only a five-year compulsory licensing period, Senator Gore said:

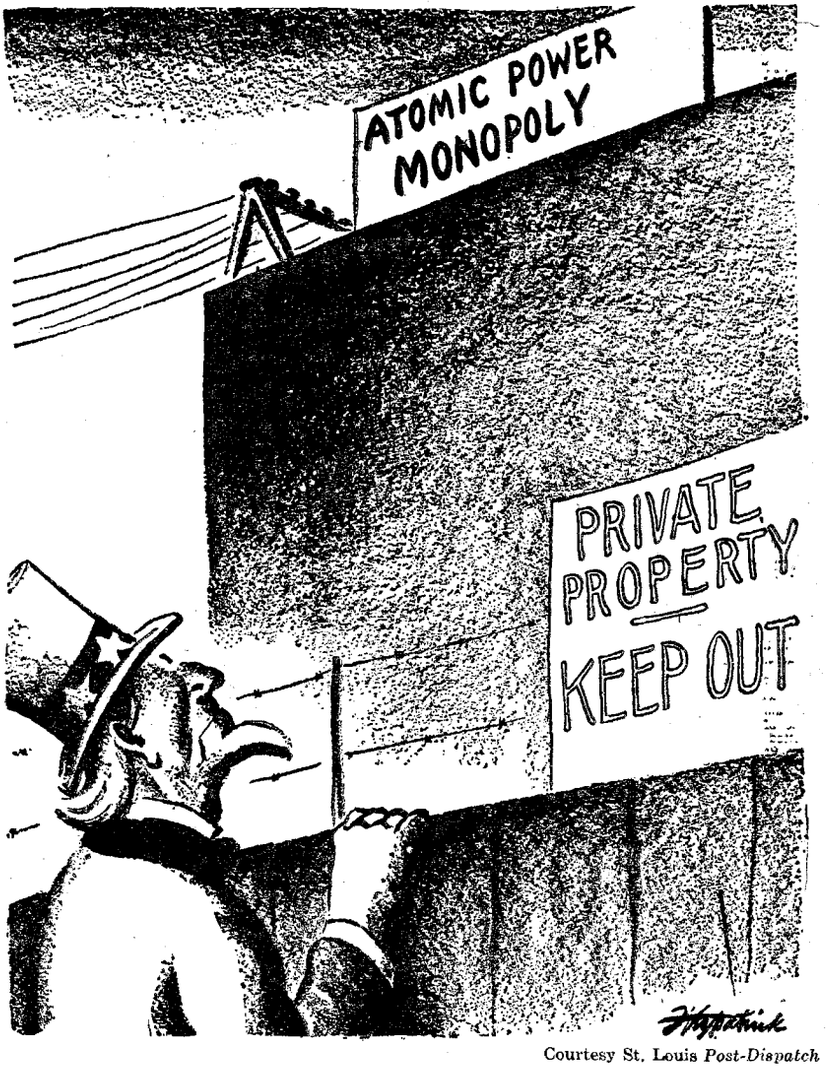
> The five-year compulsory licensing aspect of the bill is an open invitation to evasion of the intent of Congress. It is completely unenforceable. . . .
>
> All of the development accomplished so far is a product of government financing. Most of the development which will occur in the next five years will likewise be a product of government financing. It can be argued that a discovery conceived during a period in which the discoverer is subsidized by the government will still, even under the pending bill, be property of the government. But it must be remembered that patents are based upon discoveries and discoveries result from ideas. Who is to say at what specific time an idea was conceived?

Whatever loopholes existed in the five-year proviso, therefore, still exist in the ten-year proviso. Obviously, the reasonable thing for Congress to do would have been to retain the McMahon Act's compulsory licensing and wait a few years to determine when it should end. Instead, the existing clause was steamrollered through by the Republicans.

A hint of things to come can be found in testimony given last year before the Joint Committee on Atomic Energy by Alfred Iddles, president of the Babcock and Wilcox Company, one of the companies now participating in the atomic-energy program. Iddles admitted to Representative Holifield: "I know of several instances in which companies have had bright ideas that they have not divulged to anybody because they would not give them out." Later in the hearing the following exchange took place:

> *Holifield:* So during this period of time when we are developing these reactors, which you say will possibly be from five to ten years, there will be no protection to the government against favored participants patenting these processes, or mechanical inventions, even though the five-year compulsory licensing is put into the act.
>
> *Iddles:* Would you have it otherwise?

Interestingly enough, only nine days after this Iddles wrote a letter to the joint committee asking that his answers to Representative Holifield be erased from his testimony. But it was too late. As Wayne Morse said later, he had "let the cat out of the bag."



Courtesy St. Louis *Post-Dispatch*

The New Giveaway

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Oil Under the Sea

IN ITS attempts to turn over much of the national wealth to private industry, the Eisenhower Administration has had to resort to some fancy footwork. This has been particularly true in the case of the oil and chemical industries, where such cute variations as the "sell-away" and the "lease-away" have been developed.

The first and biggest giveaway, of course, was that of offshore oil, which was accomplished by the Holland bill, finally passed on July 30, 1953. There was no need to be too clever here; the Republicans had promised this gift to the oil industry before they were elected. In one stroke the Holland bill allowed between ten and fifty billion dollars worth of oil and mineral lands to pass out of the federal domain. These lands consist of submerged offshore oil fields out to the historical three-mile limit, mainly off Texas, Louisiana, Florida, and California—along Texas and Florida the lands run out ten and a half miles. The Holland bill simply turns these submerged lands over to the states. The result is twofold: the people of the forty-five states who can't prospect for oil under an adjoining ocean get nothing, and the oil companies, which will do the actual exploiting, will operate outside federal jurisdiction and will have only the weak regulatory powers of the state governments to contend with. Indeed, prospects are good that the companies will end up with actual ownership of the submerged oil fields.

Oil and gas royalties which normally accrue to the federal government from oil produced on public lands are set at 12½ per cent; sulphur royalties at 5 per cent. Senator James Murray has estimated that on the basis of the most conservative estimate of the value of the oil the federal government has lost more than six billion dollars in revenue.

The significance of the loss was dramatized by Senator Hill's unsuccessful effort to retain the tidelands oil for the federal government and to devote the income to federal aid to education (see his statement on page 288). Hill urged that the billions involved be distributed to the states under a formula based partly on population and partly on need: the allotment would be greater to states unable to provide adequate education from their own resources.

Despite the billions the United States spends on education, this is still a country where overcrowded classrooms are the rule in cities and the one-room school is still standard in rural areas. How the Hill plan could have helped this situation is shown in the following table. The first column shows estimated expenditures on public education for 1953-54, including local, state, and federal funds, as compiled by the National Education Association. The second shows how much additional money each state could expect to get over the years from the Hill plan. The table represents a sampling only; every state in the union would have benefited from the plan.

	1953-54 Expenditures (Est.)	*Hill Amendment Revenue*
Alabama	$87,071,000	$358,000,000
Arkansas	53,000,000	232,000,000
California	747,000,000	404,000,000
Florida	144,600,000	185,000,000
Georgia	140,500,000	365,000,000
Louisiana	126,999,000	273,000,000
Mississippi	48,920,000	284,000,000
New Mexico	41,428,000	72,000,000
New York	777,000,000	470,000,000
So. Carolina	121,000,000	263,000,000
Wyoming	18,600,000	21,000,000

An ironic postscript has been added to this story. When the tidelands bill was first introduced, conservationists and other public-land defenders set ten billion dollars as the minimum value of the properties that would be given away. Oil-industry experts said it would not amount to more than half a billion. A month ago *Barron's*, the business weekly published by the *Wall Street Journal*, in a report on the first explorations being made on these submerged lands by the oil companies, said, "Beneath this part of the continental shelf there is estimated to be some ten *billion* barrels of crude, or nearly one-third of total estimated on-shore reserves." At current prices this amounts to nearly thirty billion dollars.

Consider that the whole United States consumes only seven and a half *million* barrels a year, and it is easy to see what kind of bargain the oil interests got.

IT TOOK an act of Congress to give away the offshore-oil lands, but mere policy changes at the Department of the Interior are often enough to effect some of the sell-aways and lease-aways of federal property. The classic formula for this refined form of giveaway has been well described by Oscar Chapman, former Secretary of the Interior: "The first step the Republicans take is to close down a plant and say it's no longer necessary—that this is part of their economy drive. At first there may be some protests, but after they die down, the plant is 'prepared for disposal,' and then there is another respectable time lag. Finally it is quietly sold or leased to private industry."

This was the pattern followed in disposing of the fifty-million-dollar synthetic-fuel plant at Louisiana, Missouri. In March, 1953, eight weeks after the Eisenhower Administration came into office, the Louisiana plant was shut down—this despite the fact that a new five-million-dollar wing had been completed only eight months earlier and never used. Because it was the only large-scale demonstration plant in the country converting soft coal into synthetic oil there were some understandably strong protests by scientists, engineers, and members of the coal industry. After a sufficient wait for the furor to die down, the Interior Department began accepting bids for the plant, and

"A Mischievous Thing."

In a speech on the floor of the Senate, April 13, 1953, Senator Herbert H. Lehman characterized the attempts of three states to capture the multi-billion-dollar underseas mineral deposits from the other forty-five states as "a mischievous thing"—"wrong in principle" and "perilous in practice." Senator Lehman warned that if Congress turned over to Louisiana, Texas, and California the oil resources that lie under the ocean bed off the coasts of those states, the way would be paved for a raid on the rest of the nation's natural resources. "Those who plead the case of Louisiana, Texas, and California today will not be able to withstand the appeals of Wyoming, Montana, Nevada, and Washington tomorrow. The forests will go. The parks will go. The water-power will go."

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"What's Good for G. M."

I thought it was most alarming when the army announced last September that it was awarding a $208,000,000 contract to Fisher Body, a General Motors Corporation subsidiary, for the exclusive production of M-48 tanks. It was announced that the General Motors bid on the M-48 contract was 10 per cent below that of the next lowest bidder, the Chrysler Corporation. Tank contracts formerly were held by General Motors, Chrysler, and the Ford Motor Company, although the latter has been out of the tank business for several months.

Feeling that it was a dangerous policy to concentrate so much defense business in one company, a company that is already producing 50 per cent of the nation's automobiles and has billions of dollars' worth of government contracts, I asked the chairman of the Armed Services Committee to schedule a hearing on the proposed M-48 tank contract. Senator Saltonstall graciously assented, and various interested parties, including the army, were notified that the hearing was to be held on January 29.

When the hearing opened, one of the first things we discovered was that *the contract had been signed on the previous day, January 28.* That action, which the army insisted was pure coincidence, struck me as a show of contempt for the prerogatives of the Congress in an area in which Congress had a legitimate interest.

—Senator Estes Kefauver, speaking before the Senate on April 15.

St. Louis *Post-Dispatch*

"I'd Just Give You the Whole Works!"

on April 13, 1954, leased the plant to the Hercules Powder Company for six years for slightly more than two million dollars. Under the terms of the lease the company has an option to buy. In the meantime, it has the use of the plant without being obliged to pay property taxes on it.

Hercules Powder was not the only beneficiary of lease-away. The biggest opposition to the Louisiana plant had come from the oil industry, which scented dangerous competition and promptly labeled the Louisiana process "uneconomical under present condition." The same synthetic-fuel process, however, has just been introduced commercially in the Union of South Africa and is expected to supply roughly one-fifth that country's oil needs in the near future.

Continuing the procedure begun at Louisiana, Secretary McKay announced on July 28 of this year that the Interior Department was selling a synthetic-fuel plant which converts shale to oil at Rifle, Colorado, valued at three million dollars, a zirconium plant at Albany, Oregon, and a titanium plant at Boulder City, Nevada, the last two valued together at two million dollars plus.

But the most improbable giveaway yet, also announced by Secretary McKay on July 28, was the government's decision to turn over its whole helium production program to private industry. This was to be done, McKay said, on the recommendation of a five-man "survey" team planning reorganization of the Bureau of Mines.

Whatever kind of reorganization McKay's survey experts had in mind, it could not have escaped them that about 85 per cent of the available helium supply today is used in government contracts and that government agencies buy it at cost from government producers. In short, this scheme has the government give away its helium plants so that it can buy helium from private industry. "The McKay proposal presents an almost perfect example of the turn-it-over-to-industry policy which emerges more and more clearly from the Eisenhower Administration," observed the Louisville *Courier-Journal* on July 31 last.

Here is a chemical element, essential to national defense, which has been produced in the main by the government, principally for its own use, for thirty years. . . . In terms of the Eisenhower Administration's spokesmen, it may be socialistic for the government to produce helium. One may wonder whether someone will not soon say that it is socialistic for the federal government to mint coins, and propose that the job be turned over to Tiffany and Company.

Helium, so necessary for safe operation of dirigibles, has been a virtual

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monopoly of the United States for years. Another Secretary of the Interior, Harold Ickes, once refused to sell any to Nazi Germany. But Douglas McKay is intent on getting the government out of the helium business—and apparently every other business. His helium announcement of July 28 would "make available for purchase or operation by industry" almost fifteen million dollars' worth of facilities at Shiprock, New Mexico; Otis, Kansas; Amarillo and Excell, Texas. There is still a possibility that the plan may not go through. Some strong Congressional opposition has been heard, such as the explosive reaction of Senator James Murray of Montana: "This is another one of the give-away programs of the present Administration. They've done it with public power, rural electrification, and the conservation and development of our natural resources. When are they going to give away uranium?"

Bonanza for Bankers

LAST December the American Bankers' Association held its annual convention in Washington for the first time since 1934—with reason. Eleven key men in the Eisenhower Administration were listed by the association as directors of important banks in various parts of the country. They are George Humphrey, Secretary of the Treasury; Robert B. Anderson, Secretary of the Navy; Randolph W. Burgess, Deputy Secretary of the Treasury (former chairman of the Chase National Bank); Thomas E. Stevens, special counsel to the President; Robert Cutler, administrative assistant to the President; Samuel G. Waugh, Assistant Secretary of State for Economic Affairs; Philip Young, chairman of the Civil Service Commission; Joseph Dodge, Budget Director; Glen L. Emmons, Indian Commissioner; John A. Hannah, Assistant Secretary of Defense; and Marion B. Folsom, Under Secretary of the Treasury. A look at this roster caused N. E. A. columnist Peter Edson to remark: "President Dwight D. Eisenhower's Administration isn't just a team of business men—it's also a team of bankers." U. V. Wilcox and Associates, publishers of a banking letter called *Banktrends,* put it more crudely: "The fact that the Eisenhower Administration is dominated by bankers is a source of pride to many in the financial world."

The bankers had reason to be proud. In the first hundred days of the Eisenhower Administration they received top-priority attention. From January 29 to May 18 eight key measures added more than $672,000,000 to the profits of banks, insurance companies, and large corporations. This was achieved mainly by a very simple procedure, but one not easily recognized by the public. The Treasury simply floated new bond issues with higher interest rates—some with the highest interest rates in twenty years. Large banks, which bought nearly all of these issues, get the increased interest. The public pays it, in taxes.

Here is a calendar of the Eisenhower 100-day banking giveaway:

January 29—$9,000,000,000 issued in short-term bonds and one-year certificates. Bond interest rate raised from 1⅞

The "German Bond Thing"

[*Early in July, 1953, the Senate ratified a treaty with the Bonn government under which holders of millions of dollars' worth of pre-Hitler German bonds sold in the United States would be paid 100 cents on the dollar plus accumulated interest. The nature of this transaction is explained in the following excerpts from the* Congressional Record *of July 18, 1953.*]

Senator Wayne Morse: During my three days of absence from the Senate I was surprised to encounter the number of people who asked me the question: "Senator, will you tell us what happened on that German bond thing?" They did not have the title, they called it the "German bond thing." However, they knew enough about it to understand that the little people of America were taken for a ride again.

I shall forever be proud that I joined, the other night, in standing up against tearing that wallpaper off the wall, which is all those bonds were—worthless wallpaper. By acting as it did the Senate guaranteed that the speculators who had picked up those bonds would get 100 cents of face value, plus accumulated interest of 5½ per cent. The principal and the interest amount to a sum in the neighborhood of one billion dollars. Those bonds were sold in the United States by pre-Hitler Germany, and the money was used to help build the Germany of that time.

When the American taxpayer goes to the United States Treasury to buy a bond, he does not get 5½ per cent interest. Yet, as the debate clearly showed and as the report of the committee clearly showed, our representatives first negotiated our government's interest in the treaty at 33⅓ per cent. The debate also disclosed that a representative of a bond house, sitting throughout the negotiations, exercised a great deal of influence on them. So we were persuaded to allow 5½ per cent accumulated interest on 100 per cent of face value of those bonds.

When the history of this session of Congress is written, that action will stand out as one of the shocking mistakes of the session, because already little people throughout the country know it was not right. . . .

Mr. Long: Mr. President, will the Senator yield?

Mr. Morse: I yield.

Mr. Long: One thing that is clear from the record in connection with the giveaway of one billion dollars or so on the old pre-Hitler German bonds is that the committee report and the speeches made on the floor of the Senate show that this action was intentional. It was felt by the majority that it was better for the American taxpayer to lose his money than it was for some private investor who had invested in worthless German bonds thirty years ago to lose some of his money.

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to 2½ per cent; certificate rate, from 1⅞ to 2¼ per cent. Additional cost to taxpayers—$31,000,000 this year.

April 8—$1,000,000,000 in thirty-year bonds issued at 3¼ per cent instead of at the previous rate of 2½ per cent. Added cost to taxpayers—$225,000,000 by the time the bonds mature.

May 18—$5,700,000,000 in one-year certificates issued at 2⅜ per cent, the highest rate in twenty years. Added cost to taxpayers—$42,000,000 last year.

OTHER banking giveaways have put the squeeze directly on home-owners, farmers, and veterans. For example, on April 18 the Department of Agriculture increased interest rates to farmers from 3½ to 4 per cent on price-support loans handled by the Commodity Credit Corporation. Since banks and private lending agencies handle almost 90 per cent of these loans, with government guaranties, they receive almost all the benefit. The price-support-loans giveaway was so quietly executed that newspaper reporters did not find out about it until April, although the rate was raised sometime in March. When the Agriculture Department was asked why the action was not publicized, it replied: "It was just one of those technical details."

This technical detail cost farmers $14,000,000 this year. The only justification for the higher interest rate was offered by Lionel C. Holm, secretary of the C. C. C. board, who told the United Press on April 23 that "it was desirable to keep price-support loans attractive to banks, which now can earn just as much with less trouble by investing in short-term government securities."

Here is the rest of Eisenhower's gift package for bankers: On May 2 the Veterans Administration raised the interest rate on G. I. homes from 4 to 4½ per cent. The sole beneficiaries of this extra ½ per cent are mortgage bankers and others who lend money to veterans for home building. All told, veterans will pay bankers an additional $266,000,000 on the 456,000 loans which the V. A. expects to make them this year. "The interest increase will cost the veteran just about what an extra bedroom would cost, and will thus tend to perpetuate crowded living conditions," Senator John Sparkman of Alabama noted.

For the public at large there was an additional cost of twenty million dollars in fiscal 1954 alone, caused by the additional ½ per cent of the first year's interest which the government pays to the banks for all veterans getting loans.

On May 2 the interest rate on home loans insured by the Federal Housing Administration was increased from 4¼ to 4½ per cent. On the basis of last year's figures, 246,000 F. H. A. loans are expected this year. The additional revenue for mortgage bankers will be $87,000,000.

New Tax Giveaway

ON AUGUST 30, when President Eisenhower signed the tax bill—HR 8300 into law—big business finally collected its tax pay-off from the Republican Party. The *Nation's Business,* official magazine of the United States Chamber of Commerce, exulted: "The new tax law is the first real overhaul of our tax system in almost eighty years." (Since the income tax itself is less than fifty years old, it may be wondered whether the *Nation's Business* knows whereof it speaks.) "The new tax policy," declared *U. S. News and World Report,* "is another example of the Administration's program to lift the hand of government from private business."

Ostensibly, the new law is a tax cut, but even the modest demand of House Democrats to raise personal exemptions an additional $100 to help lower-income brackets was slapped down. Instead, the new law grants a quick tax write-off for corporations and a dividend tax credit for stockholders that by 1960 will cost the Treasury close to three billion dollars. According to the Joint Committee on Internal Revenue Taxation, the loss to the government during the next eighteen years may be *as much as nineteen billion.* The arrangement is similar to the quick tax write-off for utility companies mentioned earlier—except that no war emergency justifies it.

The new tax bill authorizes businesses to write off the cost of new equipment at twice the ordinary rate. In other words, where formerly a firm would depreciate a thousand-dollar machine at 5 per cent a year over twenty years, it will now be able each year to write off 10 per cent of the unrecovered balance—that is, $100 the first year, $90 the second year, $81 the third year, and so on. This means, of course, that the annual deduction for depreciation of an asset will increase in the early years and decrease in the later years. "For example," explains *U. S. News and World Report* in a folksy report to its readers, "when a business firm can write off in five years two-thirds of the cost of a machine tool instead of half the cost, the company is likely to buy an improved tool earlier than it otherwise would have made the purchase. This incentive applies not only to machinery in factories but to equipment in offices, stores, and warehouses. Farmers get the same incentives on their tractors, combines, trucks, and other equipment." And not only farmers. General Motors, which has announced a two-billion-dollar expansion program, will pick up a cool $62,500,000 in a single year by using the new quick tax write-off.

This facet of the new tax law was explored thoroughly in *The Nation* on June 26, 1954, by Joseph H. Crown, well-known tax lawyer. "It is questionable whether present methods of depreciation have noticeably held back expansion," Crown wrote then, before the new law was passed. He continued: "In 1946, when corporate tax rates were 38 per cent, $15,000,000,000 was invested in business plant and equipment. In 1953, with a corporate rate of 52 per cent and an excess-profits tax rate of 30 per cent, $28,000,000,000 was invested, almost twice as much."

AN equally cynical feature in the new tax law is the so-called dividend-credit provision. The *lowest* estimate, that of the United States Chamber of Commerce, is that this provision will save stockholders some $350,000,000 a year. Yet according to the source book, "Statistics of Income, 1950," a tiny fraction, .8 per cent of all taxpayers—those with incomes above $25,000—get more than half of all dividends every year.

These figures are much more pertinent than the ones Eisenhower used in his radio speech, when he told the country that 56 per cent of United States Steel's stockholders were earning less than $5,000 a year. The President failed to note that more than four-fifths of the population earns less than $5,000 a year

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and that of this group only *4½ per cent report any dividends at all.*

Here is the way the dividend tax credit works: Each stockholder excludes from his taxable income the first $50 of dividends he receives. All remaining dividends are included in taxable income just as before. But then 4 per cent of all dividends received after July 31, 1954, are deducted from the final tax bill. A hypothetical example appeared in last month's *Nation's Business.* "Suppose Mr. Stockholder has $1,000 in dividends each year and his wife has $200 in dividends," *Nation's Business* explained. "Each excludes $50, and on their joint return they include only $1,100 of their $1,200 of dividends. When their final tax bill is added up, they subtract from that final tax liability $44—4 per cent of the $1,100 of included dividends."

Here again *Nation's Business* failed to cite the case of Mr. Big Big Stockholder, with a dividend income of $500,000. Using the same figuring, Mr. B. B. S. saves $17,947 in dividend taxes —or more than 12 per cent, while the person with a yearly dividend income of $5,000 saves only 2 per cent.

These two features of the new tax law, the quick tax write-off and the dividend tax credit, coupled with the defeat of a higher personal exemption, make it the most inequitable income-tax law in our history. And it will cost the Treasury more that $1,400,000,000 this year.

WE HAVE come to the end of our sketchy audit of the Great Giveaway. But it must not be thought that the books are closed. New legislative giveaways are in the Congressional hopper to be acted upon next year. Representative Dondero wants to give Niagara Falls power to New York State without any safeguards for the public interest; powerful ranching interests are grabbing for federal grazing lands.

But just as important as legislative acts are the almost daily decisions being made by government boards and commissions in furtherance of the giveaway. By now all these small but powerful federal bodies are dominated by Eisenhower men who have replaced the last of the Roosevelt and Truman appointees. Unless the November elections stop the trend, the 1955 audit of the Great Giveaway could make this year's look like a penny-bank account.

Prosperity for Whom?

by Jacob S. Potofsky

WHILE workers, farmers, and small business have been feeling the weight of economic decline, the Cabinet of millionaires and the Republican-led Congress have been more interested in turning national resources over to big business for monopoly exploitation than in legislating for the public good. Essential public works to meet essential human needs have gone by the board. The crying needs for health insurance, for more adequate public housing, for more realistic unemployment insurance, and for more and better schools have been shunted aside in the stampede to give big business the special privileges it hungered for after twenty years of New Deal and Fair Deal administrations.

President Eisenhower has stated that when his Administration deals with human beings and their problems, "it tries to be human, considerate, and sympathetic." Yet he vetoes a bill granting a 5 per cent pay rise to 1,750,000 government workers who had had no increase in three and one-half years. In the Dixon-Yates contract alone the Republican Administration quietly gave away to a big-business syndicate much more than it would cost to provide these government workers with a living wage. And in repealing the excess-profits tax the G. O. P. Administration delivered to big business many times as much.

Let us look at some figures—for General Electric, for example. In the first six months of this year its sales were down 7 per cent, but its profits went up 24 per cent. Or the duPont Company—whose sales were down by $73,000,000 but whose profits went up $37,000,000. Or General Motors—and listen carefully to this: General Motors' sales for the first six months of 1954 went down by $375,000,000; its profits went up by $112,000,000. Is this what President Eisenhower and the Republican Administration mean by "sharing prosperity"? Does the Administration mean by prosperity the prosperity of the great oil and utility interests to which the Administration has turned over first our offshore oil, then the great part of our hydroelectric power, and most recently our most important resource, atomic power? Does President Eisenhower mean by sharing prosperity turning over to private corporations huge government contracts without competitive bidding as in the Dixon-Yates case? The big-business Republican Administration has yet to learn that the prosperity and wealth of our country are not measured by the number of millionaires. They are measured by the health, the well-being, and the moral fiber of our people.

JACOB S. POTOFSKY is president of the Amalgamated Clothing Workers of America. These comments are taken from a speech before the New York State C. I. O. convention at Albany.

Not Dollars Alone

by Leland Olds

THE threatened giveaway of the nation's hydroelectric resources through the Eisenhower Administration's reversal of federal power policy would exceed the tidelands-oil giveaway more than ten times over. And huge as it is, it has been compounded by the Administration-sponsored Atomic Energy Act, which in effect turns over to private monopoly energy resources perhaps sixteen times as great as all our coal and oil and natural-gas reserves together. Only a final giveaway of the sun's energy for exploitation by giant private corporations could exceed this betrayal of the people's interests. And if the present preference for private over public power con-

LELAND OLDS, former chairman of the Federal Power Commission, is one of the country's foremost experts on public power.

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tinues until the chemists have duplicated the photosynthesis process, such a monstrous climax may well be in the cards.

Throughout the first twenty months of the Eisenhower Administration a bitter struggle over the power issue has been carried on. Great battles have been fought: Hell's Canyon; Niagara and St. Lawrence; the assault on preference groups in the Bonneville area, the Missouri River Basin, and the state of Georgia; the abrogation of the federal contract with rural electric cooperatives in the Southwest, throwing them on the mercy of the power trust to avoid bankruptcy; the budget veto on new hydroelectric projects unless "local" interests (mainly private) undertake the power facilities; the Eisenhower-directed Atomic Energy Commission contract with Dixon-Yates, triggering private-power invasion of the T. V. A.; and, finally, the Atomic Energy Act of 1954.

The series of administrative and legislative steps through which federal power policy is being reversed would have been no different if dictated by Purcell Smith, master power-trust lobbyist, who openly boasts that his clients are "getting their money's worth" for the more than half a million dollars which they contribute each year to his efforts. Unless the process is halted, the community power systems which act as a check on private-power monopoly will find their days are numbered. Without federal partnership in the field of power supply they cannot compete.

Fitzpatrick in the St. Louis *Post-Dispatch*

Hell's Canyon's A-Poppin'

But the giveaway of public power resources is less sinister in itself than in terms of the future of our democratic civilization. For the past fifty years statesmen like President Theodore Roosevelt, Governor Gifford Pinchot of Pennsylvania (the "Great Forester"), and Senator George W. Norris (father of T. V. A. and R. E. A.) have warned that private ownership of electric power would prove the most gigantic monopoly ever to fasten itself upon the American people. Controlling the lifeblood of our economy, reaching into every state, county, city, and village, armed with unlimited funds to spend on influencing public opinion, elections, and legislative and administrative action, it would soon go on to complete dictatorship of our political life.

The power giveaway, if allowed to continue, will cost the people more than their right to have a public, or cooperative, power supply, more than the billions in higher electric rates which they will have to pay, more than the resulting check on expansion of employment. It will poison the wellspring of democracy itself.

DIXON-YATES DEAL . . *by Gordon R. Clapp*

WHEN T. V. A. began its work in 1933, the valley's private enterprise was mostly farming and mining. The private electric utilities supplied one and one-half billion kilowatt hours of electricity for the whole region of 80,000 square miles. They said the flood-control, navigation, and hydroelectric dams T. V. A. was starting to build would create a surplus of power no one would use; a waste of the taxpayers' money, they said.

Today the Tennessee Valley is one of the fastest-growing industrial areas in the country. It is one of the fastest-growing private-enterprise areas in the country. More than thirty-five billion kilowatt hours of electric energy are generated by T. V. A. dams and modern steam plants and distributed by 150 locally owned and operated municipal and rural cooperative electric systems. Even this amount of power is not enough to meet growing demands from aluminum, chemical, and processing industries, from farms, homes, and hundreds of new private enterprises. Low-cost electricity has had a lot to do with this truly enterprising performance.

Now comes the Dixon-Yates deal, hawked by its architects, the United States Bureau of the Budget, and the Atomic Energy Commission, with the blessing of the President, as a return to the "free-enterprise" system. Under the proposed Dixon-Yates deal the government would financially and politically underwrite the construction and operation of a 650,000-kilowatt steam electric plant to be built by Messrs. Dixon and Yates—officials of two Southern utility companies not accustomed to building plants of this size. The government would contract to buy the power at rates that total almost twice the cost of the plant during the life of the power contract. Dixon and Yates will put up very little capital but will own the plant even after the government pays for it twice. The government will pay, through the power rate, the state and federal taxes Messrs. Dixon and Yates incur.

What is free or enterprising about this deal? The only "enterprise" involved was that displayed by high officials of the federal government in devising specifications attractive to Dixon and Yates and in the tactics used to block T. V. A.'s better and cheaper solution to the problem—the proposed new Fulton T. V. A. steam plant.

The only "risk" in this "private" de-

GORDON R. CLAPP served twenty-one years with T. V. A., including seven as general manager and seven as chairman of the T. V. A. board.

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velopment is borne by the federal government and the taxpayers. There is real risk from severe floods on the site hurriedly selected to checkmate T. V. A.'s plan. And there is risk in relying upon Dixon-Yates to meet schedules or estimates. The A. E. C. and the Budget Bureau are backing again some of the same utility interests which perpetrated the Ebasco fiasco, the slow-motion, high cost, cost-plus Joppa steam plant on the beautiful Ohio near Paducah, sponsored by the A. E. C.. This plant was supposed to demonstrate that T. V. A. didn't know how to build steam plants as fast, as well, or as economically as the private utilities. The Joppa builders, of which Dixon was one, did not meet their schedule or their cost estimates, and Ebasco, the promoter-contractor, was fired from the job. T. V. A.'s Shawnee steam plant, just across the river, started construction at the same time as Joppa and finished its first four units before Joppa was halfway. T. V. A. built within its estimates, paying about the same wages as at Joppa. T. V. A.'s superior performance is saving money for the taxpayer on actual cost of power to the A. E. C.

The only thing "free" about the Dixon-Yates deal is the gift of a huge steam plant to Messrs. Dixon and Yates. And it looks as if the Budget Boys will try to force consumers of T. V. A. power to absorb the extra costs of this gift to T. V. A.'s competitors. When the provisions of the contract are revealed, it will be interesting to discover whether the United States government has also agreed to reimburse Dixon-Yates for the costs of litigation which will probably bedevil this deal.

The stakes here go far beyond the gift of a single large steam plant to a pair of private citizens. The power load of the A. E. C. served by T. V. A. represents five such steam plants. If the Dixon-Yates deal goes through, it may well be the beginning of a program to circle the T. V. A. with cost-plus "gift" plants paid for by T. V. A. consumers under the terms of a federal fiat. If the utilities and the Bureau of the Budget can force T. V. A. to raise its rates by loading on to T. V. A. the excessive costs of these gifts, the yardstick will be gone. Millions of power consumers outside the Tennessee Valley will feel the effect in higher electric rates.

George F. Kennan

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Oil for Learning

by Lister Hill

[*Senator Lister Hill of Alabama, steadfastly opposing the tidelands-oil giveaway, urged instead that the federal government use the revenue from these fields for aid to education. The following is based on a plea he made to the Senate Committee on Interior and Insular Affairs before the giveaway was finally approved in July, 1953.*]

OUR education system today faces a severe crisis. Industry and defense-related jobs have taken many of the best teachers from the classrooms; many communities are scraping the bottom of the barrel to get even inadequately prepared teachers. Schools are not being built fast enough to meet the needs of a rapidly expanding enrolment. Over a million more children entered the public schools last fall than entered the year before. This rate of increase will continue for at least the next six years, to judge from the rising birth rate. The education of four million children is being impaired through inadequate buildings, poorly trained teachers, or part-time instruction. Every seventh child in the nation is being short-changed in his education.

Teacher-training colleges cannot begin to meet the huge demand for teachers. Their graduating classes are dwindling as young people abandon any ambition to teach out of sheer economic necessity. We have let our teachers drop to the absolute bottom of the economic ladder. Teachers are now the lowest paid of all employed groups in America.

The nation's public elementary- and secondary-school population needs additional floor space equal to a one-story building fifty-two feet wide extending from New York City to San Francisco, California. This amount of floor space equals the total residential housing space in a city the size of Philadelphia.

No member of the Senate is unaware of the enormous rate of rejection of men under Selective Service for educational deficiencies during World War II. Some 750,000 young men were found unfit to serve because of illiteracy or educational deficiency. That is the equivalent of forty divisions. The figure becomes all the more startling when we consider that it is equal to almost half the total strength of the army at the peak of mobilization and is greater than the number of men who fought in combat divisions in the entire Pacific area.

WE DO not suggest that the Oil for Education proposal will prove a cure-all for every ill and every need that vexes our educational institutions, but we do feel that the revenues which will eventuate from the development of these resources can contribute importantly to meeting the needs—to giving to our "50 per cent" school system a degree of perfection hitherto undreamed of. Here is a windfall for easing the financial straits of our elementary and secondary schools, for providing more and better-paid and better-trained teachers, and for building desperately needed classrooms. Here is a bonanza for relieving the agonizing difficulties of our colleges and universities.

YOUNG PEOPLE!

ASK YOUR TEACHERS, PASTORS, PARENTS

(Beyond selling space for publication of the accompanying material, *The Nation* is not to be held responsible for statements contained in the material)

Ask respectfully why it is that in High School and College you can learn what scholars have to say about the history of many countries, but that our educational system gives you no corresponding scholarly instruction about the history of the Hebrew nation.

According to the first five books of the Bible, our ideas about God were given as a revelation from heaven upon Mount Sinai in the wilderness of Arabia. But a new translation of the Bible has just been made by scholars from our leading institutions of higher learning, who do not accept the story of revelation in the first five Scriptural books.

Scholars today, in Harvard, Yale and other great universities, teach that our ideas about God, instead of being given on a mountain in the desert, were developed through a very intriguing process of evolution in the land of Canaan, or Palestine. But young people are completely shut out from this new and highly interesting way of teaching Hebrew history and the Bible.

Our educational system, then, is actually a party to your exclusion from the results of modern scientific research into Hebrew history and the Bible. And as long as this appalling situation remains unchanged, you should not be criticised if you are bored by orthodox religious exhortation. But bear in mind, when raising the question with your teachers, pastors and parents, that they are carrying serious burdens, and are more solicitous for your welfare than you fully realize. Friendly discussion and not controversy is what we need today.—Suggestions will be found in a circular which will be forwarded to young people, from eighteen to eighty, in return for a three cent stamp to cover postage. (Requests without a stamp will bring no result.)—L. Wallis, Box 73, Forest Hills, Long Island, New York.

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Piracy on the River

by Carey McWilliams

THE Eisenhower Administration had hardly completed its survey of a hundred-odd types of businesses being operated by the federal government—valued at forty billion dollars—when the first of these concerns was placed on the auction block and sold to the highest bidder. Elated, the Republican press hailed the sale as a new birth of freedom. "Eisenhower Push to End Federal Competition Nears Its First Victory" was the headline placed on the story by the *Wall Street Journal* (July 2, 1953). What were the facts behind this first major victory in the crusade against "creeping socialism"? What had the President's advisers sold, to whom, and for how much?

Ironically, the first item to be placed under the auctioneer's hammer was a project which had won the approval of that old creeping socialist Calvin Coolidge. Back in 1924, eight years before the New Deal was born, the Republican Sixty-eighth Congress had decided to engage in, of all things, a "social experiment." The idea was to see if a little government initiative could not be used to promote inland water transportation. So the Republicans in Congress appropriated a few million dollars and established the Inland Waterways Corporation, which in less time than it takes to say "creeping socialism" was operating barges on some three thousand miles of the Mississippi and its tributaries in eleven Middle West and Southern states. All told, about $27,000,000 of the taxpayers' money was invested in the project.

The government barge system provided an admirable service. River shippers pointed out that it quoted special rates on less-than-bargeload cargoes, whereas few of the private lines offered satisfactory service or rates on shipments of this size. On two occasions—under Henry Wallace in 1946 and Charles Sawyer in 1948—the Department of Commerce tried to sell the government barge line because it was not showing a profit, but both times the shippers in the Mississippi Valley protested and were able to stave off the sale.

Once Sinclair Weeks became Secretary of Commerce little time was lost in selling the barge line to a subsidiary of the St. Louis Shipbuilding and Steel Company for $9,000,000, payable in not more than ten years with interest at 3¼ per cent, the purchaser agreeing to provide "substantially similar" service. Secretary Weeks announced that it was "good business" for the taxpayers to dispose of the barge line; the facts suggest that it was enormously "good business" for the private buyer.

THE buyer acquired a $27,000,000 investment for $9,000,000. Included in the assets were items of equipment valued at $10,000,000—wharves, warehouses, an eighteen-mile railroad in Alabama, barges, and two steamboats. At the end of 1952 the public corporation which was operating the barge line had $4,000,000 in cash in addition to $10,000,000 worth of equipment. Secretary Weeks contended, of course, that the barge line had been losing money. This was true. The line had showed a profit during twelve of the twenty-nine years of operation but a loss in the other seventeen years. The recent earning record of the corporation, however, is of particular interest. During the 1952 calendar year, it reported a net profit of $379,385 on nearly $11,000,000 of revenue. "Even brighter are more recent figures," to quote from the *Wall Street Journal* (July 2, 1953). "Complete figures aren't available yet, but the profits reported up to May 31 amounted to slightly more than $1,000,000, compared with $199,000 in the first eleven months of fiscal 1952."

The innocent taxpayer may well inquire why the government accepted a $9,000,000 offer for a business that showed a profit of $1,000,000 for a year's operations? What had happened in that year to change in such a radical manner the outlook for the barge lines? *Nation* readers in the area have been telling us for months that the movement of iron ore from northern Minnesota to Pittsburgh steel mills was involved. Is this, then, another case of the government initiating a project at the taxpayers' expense and carrying it through the lean

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years only to turn it over to private enterprise when it begins to show profit?

It is worth noting that business interests are by no means united in enthusiasm over the government's sale of the barge line. The two thousand members of the Mississippi Valley Association are reported to be extremely skeptical about the benefits they can expect. According to the *Wall Street Journal*, "Shippers in areas now served by any barge system have been able to exert pressure through Congress to get government barge service. This won't be possible with the barge line in private hands. It's factors like these that have made it so difficult for the government to detach itself from the barge business—and similar factors are operating to slow down other attempts by Uncle Sam to stop being an industrialist."

And not only the shippers are leery about the consequences of this "first major victory" in the crusade to roll back socialism. When the government barge line was first established, communities were encouraged to issue bonds for building warehouses and wharves. The city of Dubuque (Iowa), for example, floated such a bond issue. The sale of the government barge line will not relieve Dubuque taxpayers of their obligation to retire these bonds, although a private corporation will now be one of the principal beneficiaries of their initiative.

INDIAN TAKEAWAY

Betrayal of a Trust . . *by John Collier*

THE United States is trustee for Indian properties worth tens of billions of dollars. Further, through treaties and other bilateral compacts it is trustee over the political, social, and cultural institutions and group enterprises of the several hundred Indian groups. The Administration and Congress are driving toward the destruction of the trusteeship obligation, after a preliminary costly perversion of it, and thereby toward turning over the Indian properties to whites. In justice it must be stated that this jettisoning of the national obligation toward Indians was begun under Dillon S. Myer, Commissioner of Indian Affairs under Truman. Since the Eisenhower Administration took over, the process has been expedited almost frantically. Comprehensively, the facts are these:

The 460,000 Indians in the United States are citizens, having all the rights and duties of citizens, with one perilous exception. Congress, in Indian matters, exercises a plenary authority. For a century and three-quarters Indian life has been organized within a framework of treaties, agreements, and legislation. No constitutional inhibition can say "Thou shalt not" if Congress acts unilaterally to destroy the Indian political, economic, and cultural organizations formed and developed within the bilateral federal-Indian relationship. And this is what Congress, under the Administration's leadership, is now doing. The demolition goes on behind a smoke screen of fabrications.

Of these fabrications the central one is the denial, through word and action, of the historical basis of the Indian-government relationship. The second is the assumption that the Indians need to be forced to become full and equal citizens —which they already are—and therefore that the structures they have built for mutual aid, self-protection, self-regulation, and economic advancement must be destroyed through administrative or legislative action. The third is that the Indians have been consulted and that they want this havoc wrought on themselves. Now to some of the details.

JUST before Congress recessed at the end of July, 1953, a bill was rushed to passage without hearings on its essential provision. That bill became Public Law 280. Signing it, President Eisenhower lamented it as "most un-Christian" and voiced the hope that a future Congress would amend its—and his—errors. There has been no amendment. This Public Law 280 authorizes any state government, in its own discretion, to substitute its own law for federal Indian law and its own codes for the Indian tribal codes.

In the session of Congress recently adjourned the Interior Department pressed its onset, this time not through an "omnibus" bill but through numerous separate bills purportedly dealing with local situations. An example is Senate bill 2745, now signed by President Eisenhower, directed at the Indians of the Klamath reservation in Oregon. This law forcibly fee-patents—that is, removes from trusteeship status—all individually owned Klamath lands and authorizes any enrolled Klamath member to force the tribe to sell its corporate holdings in order to buy him out; it also brings to an early end federal supervision of the immense timber operation in the Klamath forest. Here, for once, the truth came out from the Interior Department—that the termination might result "in abandonment of sustained-yield management presently enforced by the federal government" and that "accelerated cutting would result eventually in serious injury to the entire economy of the Klamath basin."

The Klamath action is a massive one, as is the comparable Menominee, Wisconsin, action now also made law by President Eisenhower. A law directed toward four small bands of Utah Indians will have a statistically infinitesimal effect but is massive as to precedent and policy and representative as to method. These 177 full-blood Paiutes are owners, as groups, of 45,000 acres of poor land believed rich in subsurface oil and minerals. Entitled by law to federal aid and protection, these Paiutes have not been receiving it; hence the Watkins bill

JOHN COLLIER, United States Commissioner of Indian Affairs from 1933 to 1945, is professor emeritus of sociology and anthropology at the City College of New York and president of the Institute of Ethnic Affairs.

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(Senate 2670) provided that hereafter they should not receive federal aid and protection. Congress and the public were told that these groups had been fully consulted and by implication had indorsed the bill. In fact, all but one of the groups have officially objected to the measure. Search of the hearings and reports reveal nothing regarding the adequacy of consultation. The only indorsement of the bill was wrung from a minority of one of the groups, admittedly counseled by the representative of an oil company which "desired to negotiate a lease without going through the procedure" of competitive bidding. Trivial as well as heartless when locally viewed, this bill, now law, was announced as a model for all termination bills. The federal legal obligation to scores of thousands of Indians has not been fulfilled; past devastating wrongs—such as those done to the five civilized tribes of Oklahoma—have not been righted: therefore, the federal government shall be prohibited by statute from meeting the unmet obligations or righting the unrighted wrongs.

This article must omit other details and conclude with the really massive, all-embracing betrayal. The Indian Reorganization Act of 1934, together with subsequent amendatory acts, reaffirmed the bilateral Indian–federal-government relation. It empowered the several hundred Indian groups to organize for domestic self-rule and to incorporate for economic self-help and self-defense. The ensuing years saw the creation, by the Indians, of 182 tribal constitutions and 154 tribal corporate charters. The act created a revolving credit fund, resting on the communal aspirations and responsibilities of the tribes but fully attending to individual requirements; the account of this fund until about two years ago stood as a "record-breaker." There was developed a multiform, far-flung, and almost uniformly successful organization of Indian life, in which the individual through his group entered into the wider commonwealth.

Beginning with Dillon S. Myer as Indian Commissioner in 1950, the ruling purpose, harshly intensified by the present Administration, has been to atomize and suffocate the group life of the tribes—that group life which is their vitality, motivation, and hope—and to prevent the continuance and adaptation of those Indian civilizations which have produced great human beings through hundreds of generations. The present Administration's central method is to destroy the Indian Reorganization Act and the life structures which the Indians have built within its authority. The technique is not to use an omnibus bill but a host of special bills—effective in scattering the opposition—designed to destroy the Reorganization Act and its results tribe by tribe and region by region. A looted Indian estate will be the most apparent result, as it was in the case of the allotment acts of sixty and fifty years ago. A less apparent result will be a looted Indian soul and looted national honor, a United States shamed before the forty million Indians of the hemisphere. These results, except in local cases, have not yet been realized. The American public, if it would, could still forbid their irremediable accomplishment.

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ALL FOR ONE

The Corporation Is All . . . *by Colonel Beriah Sellers*

[The Nation *requested and is privileged to present here without comment this strictly personal statement from the least-known but reputedly most liberal member of the Administration's unofficial "advisory team."*]

"THERE was a feeling that it was time for a *new era* of fair play to treat everybody alike, to have *no favored classes,* and this Administration was pledged to do everything it could for the benefit of 160,000,000 American people and *not for any single group,"* said President Eisenhower as he reported his achievements and appealed for G. O. P. victory next November. He had promised to get the government "out of business," and—"Well, we've been getting out of that and we're committed to it so as to *return to you,* the American people, the *maximum initiative,* the maximum responsibility and authority for looking after your own affairs."

Now those are my italics and I am speaking for myself alone, but I think I may say one thing without breaking any confidences. Nobody is privately more keenly aware of how far we are from completing those tasks indicated above than the President himself. Philosophically defined as "conservative in economics, liberal in human relations," the New Era aims, precisely as the President says, to "return to you, the American people," the fullest degree of initiative—by digging communism out of the federal government and ending bureaucratic monopolies of business enterprise. As a liberal myself, in the President's sense, I want first to outline what has been accomplished to date in spite of secret and still powerful pro-Communist elements in Congress. Then I wish to share with you a vision of the future as some of us see it—if the voters give the Administration a Congress truly dedicated to saving our freedom.

The record shows, as Mr. Eisenhower rightly stresses, that this Administration, and this alone, won the people's battle of the century against the federal-government monopoly in the ownership of our offshore-oil deposits. Under bureaucratic monopoly these national resources, worth many billions, would have been exploited in the interest of single groups, such as the navy, making for disunity and constituting a grave threat to fair play in the free price structure of the people's oil companies.

Secondly, the President took pride in the popular tax reforms which will save us some $7,400,000,000. Repeal of the excess-profits tax alone is saving us billions in revenues formerly extracted from popularly owned corporations such as Standard Oil, General Motors, Continental Can, United States Steel, and so on. Further reductions in corporation as well as personal income taxes will also bring relief to the majority penalized most under the card-carrying bureaucrats. True, some favored classes with much lighter responsibilities have been granted cuts, too. But reductions to the improvident—such as poor farmers, widows, invalids, and low-income groups generally—amount to only half a billion dollars or so, a mere 7 or 8 per cent of the entire tax rebate, while 90 per cent directly benefits responsible owners of business loyally maintaining high-level production and increasing national income.

As a result of far-seeing Administration leadership the Eighty-third Congress also passed the admirable new atomic-energy legislation. This liberalizes resources greatly surpassing offshore-oil deposits in importance to free enterprise, personal initiative, and full employment. Results and tools developed in the building up of our atomic-energy empire, at a cost of eleven to twelve billion dollars of the people's tax money, are in effect taken away from the bureaucratic monopoly group and returned to the people. Energies beyond our present imagination will be produced from this expensively acquired know-how and plant. In bureaucratic hands such assets would inevitably have borne ugly fruit as communistic projects benefiting only special groups, such as people who don't own shares in public-utility corporations. Now each of us need only assert his maximum initiative to establish his homestead rights, so to speak, on this new frontier of wealth—side by side with Westinghouse, General Electric, and duPont.

THIRDLY, the socialistic expansion of the T. V. A. has been halted. Mr. Eisenhower courageously refused federal credits demanded by the T. V. A. in order to build a new plant to replace the somewhat subversive power it has been supplying to atomic-energy installations in Tennessee at the taxpayers' expense. Instead, he directed that the Dixon-Yates syndicate build a plant for the same purpose. Power from this source may cost the government $5,000,000 a year more than power from the T. V. A., but the heavy expense and danger of expanding the federal-power bureaucracy have been avoided. Although the project is federally financed as to construction costs, Dixon-Yates have guaranteed to relieve the government of any burden of ownership in the half-billion-dollar property.

Chairman Mitchell of the Democratic National Committee spuriously criticized the President for turning down a New York syndicate which offered to put up the same plant for a hundred million or so less than the Dixon-Yates bid. But Mitchell dishonestly obscures the fact that this New York outfit also wanted the government to hold the bag—that is, ownership of a plant actually financed by the people's own federal tax money! This Marxist proposal was so noisome that no sound economist would touch it, and rumor says Sam Snead curtly de-

COLONEL SELLERS won fame in Mark Twain's "The Gilded Age." He often writes for The Nation *under the pseudonym of Edgar Snow.*

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Slander

"I think it is necessary for the House seriously to ponder this question. Can we trust this partisan, politically minded Attorney-General, or for that matter any other Attorney-General, with the power to label any organization as subversive? In the case of the Lawyers Guild he does not even accuse that organization of having done or even planned to do anything that was illegal. Certainly, if the organization had done anything illegal, I would assume that he would prosecute them. To my mind, for the Attorney-General to label and slander any organization that has done nothing illegal, because the Attorney-General does not like the way that organization operates or because it opposes some position taken by him amounts to a gross arrogation of power. I think it time that we put a stop to this attempt to govern the country by smear and labeling." —Congressman Herman P. Eberharter of Pennsylvania in the House of Representatives, Feb. 17, 1954.

Attorney-General Brownell wants to proscribe and, in effect, to destroy the National Lawyers Guild. Why? Because he disapproves of its views and acts. The brochure **"APPEAL TO REASON"** describes fully the facts and issues in this attempted "listing" of the Guild by the Attorney-General. This brochure is FREE. **For your copy, write to National Lawyers Guild, 40 Exchange Place, New York 5, N. Y.**

Threat

"A more basic threat has been a growing tendency on the part of our people and their representatives in government to suppose that it is within the competence of the state to determine what is and what is not American." —General Board of the National Council of Churches of Christ in the U.S.A., Mar. 17, 1954.

Attorney-General Brownell wants to proscribe and, in effect, to destroy the National Lawyers Guild. Why? Because he disapproves of its views and acts. The brochure **"APPEAL TO REASON"** describes fully the facts and issues in this attempted "listing" of the Guild by the Attorney-General. This brochure is FREE. **For your copy, write to National Lawyers Guild, 40 Exchange Place, New York 5, N. Y.**

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clined to join the syndicate's board of directors.

Fourthly, the President has forced the bureaucrats out of such businesses as the making of synthetic rubber, uniforms, barges, rope, and other supplies for the armed forces. There is also a plan to return army camps, mess halls, kitchens, and other military real estate to the people, to be run efficiently and lucratively by private initiative.

SUCH are the modest beginnings of our great crusade against Communists, Socialists, welfare-staters, and the whole White-Acheson-Truman "class-favoritism" philosophy. All these "diseased ideas" spring from the same "Marxist virus," as Vice-President Nixon shrewdly emphasized. Illegalizing the Communist Party is only the beginning of the fight to the finish against the bureaucratic trusts and monopolies. Everything must be returned to the people.

Take the T. V. A. as a starter. Mr. Eisenhower called it "creeping socialism"—and socialism is always creeping toward communism, as we know. I may say, without violating security, that the Administration earnestly desires to see the T. V. A. returned to us and will so recommend, whenever Congress irrevocably turns its back on Karl Marx. But the New Era would go much farther. To redeem its pledge of fair play it would liberally return to the people all the hundreds of millions of acres of federal forest, agricultural lands, and grazing lands, with all their oil, uranium, and other mineral riches now monopolized by the bureaucracy. Here again the people's lumber, paper-making, oil, mining, and meat industries stand ready to develop these resources as part of our common wealth. National parks operated in open competition with the people's resorts must also be returned to private initiative. Government rights in lakes, rivers, streams, and canals eat up our taxes for little return. Individuals could develop these parks and inland waters into improved and beautified fishing, swimming, and boating grounds. Not only would these reforms bring new profits to the people; they would provide jobs for honest workers and eliminate tens of thousands of unreliable bureaucrats.

Then take the United States postal monopoly, a scandalous money-loser ever since early eggheads got the pony express out of the hands of Wells-Fargo. Relieved of the bureaucratic incubus, a first-rate postal service could earn splendid profits at no tax cost to the people. Incidental benefits to business enterprise would be enormous. For example, special legislation should authorize the postal corporation to collect from the addressees postal fees on all advertising matter, including all non-subversive periodicals as well as direct-mail literature. In a democratic country this payment should be regarded as part of the individual's personal educational expense. A wider appreciation of the value of such literature undoubtedly would accrue to its sponsors.

Clearly all state and national roads will soon be run by the people. The Port of New York Authority, now silently owned by the banks and insurance people, provides an exemplary model for a transitional period until special groups are fully educated to the evils of socialistically owned roads, tunnels, and airports. A logical road system eventually will enable anyone to drive from New York to California and back on a round-trip ticket good for every toll gate on the road. The journey will be infinitely more pleasurable for the citizen in the knowledge that tolls are going to the people's National Road Authority and its subsidiaries and earning him good dividends and capital gains.

NEXT, all schools, libraries, museums, aquariums, municipal and state parks, skating rinks, swimming pools, public housing, and buildings of all kinds now adding to the taxpayers' woes must be returned to the people. Run on conservative business lines for the liberal benefit of all, they could provide jobs for a myriad of loyal workers free from any subversive taint. Inefficiently operated public-health and sanitation services everywhere, along with state hospitals and insane asylums, are other survivals of a pre-history or pre-New Era period. Financed by government loans of the Dixon-Yates type, all such real estate and services, including the prison systems, could be taken over by syndicates for the direct profit of the people's enterprises.

The same applies to federal departments such as Agriculture and Commerce, which increasingly compete with

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private services turning in good annual dividends. There would then be little reason for a Department of the Interior —except for the F. B. I., long a tax-losing competitor of the Pinkertons, Finks, and other private eyes. Operated by business men, the F. B. I. could become an important people's corporation. After that only a very small Treasury Department would be needed. As for the Internal Revenue Bureau, its functions could be handled by one or several of our modern insurance companies—their agents collecting import duties and taxes along with your annual premiums. They could also put unemployment- and old-age-insurance schemes on a dividend-earning basis.

Incidentally, under the New Era the word "premiums" would replace "taxes," which would cease to have the same meaning anyway once they were freely gathered by free enterprise.

Ironically enough, the armed forces may prove to be the most stubborn hangover of the Marxist period. Logical action must here eliminate the bureaucracy without fail. Now that all war industries and military real estate are recognized as legitimate fields of private enterprise there is no plausible reason why the principle of "conservative economy, liberally applied" should not extend to the service activities themselves. Given any encouragement at all, the same maximum initiative which recovered offshore oil and atomic energy from the federal collectivists would gladly incorporate the army, navy, and air force. They could easily be liberally capitalized (with Administration loans) and made to yield fair but conservative returns.

Admittedly this vital reform might encounter some psychological or sales resistance at first, but new terminologies could overcome it. For instance, the word enlistment would be changed to enrolment. Then the armed-services corporations could charge citizen-soldiers modest tuition fees, such as they now pay for other kinds of technical education. If service were made a prerequisite of employment by any popular corporation—as it should be—parents would gladly pay tuition. In cases of improvidence—highly unlikely under the New Era—the "enrollees" could merely pledge future earnings against tuition levies. Service units would be named after the people's corporations they actually represent—say, the Socony, Texaco, Vanadium, Alcoa, A. T. & T., Goodyear, United Fruit (or Banana) divisions—and "enrollees" would be assigned in line with future expectations of employment. In contracting for services of the defense corporations the Administration could place units in areas of greatest potential business interest to them.

There would remain the problem of the Congress and judiciary, notoriously non-self-supporting. These would have to be retained, since we cannot tamper with our fundamental institutions of liberty. But reasonable innovations would occur. With the completion of the major reforms of the New Era all special groups and favored classes will have vanished, and everybody will then see the absurdity of the old methods of election. By common consent and amendment federal representatives everywhere will be nominated directly by the people's corporations.

THUS we shall do away with the waste involved in corporation financing of political parties—a form of double taxation, since contributions now have to be made to both parties. Instead, the corporations themselves may pay the salaries of Senators, Congressmen, and judges, which should be directly tax-deductible instead of indirectly as at present. Another suggestion is that the Administration could itself become a subsidiary of one of the experienced corporations, with the President serving as a kind of chairman-patriarch. As one permissible profit-making function the Administration corporation could be allowed broker's fees on new bond issues authorized to finance undercapitalized corporations anxious to use maximum initiative in developing national, international, or interstellar resources. Congressmen, Senators, and judges could then be paid—liberally, but not too liberally—directly from brokers' fees instead of by the present roundabout method.

One of the brightest features of the New Era will be the liberalization of labor. This will follow the creation of an Immigration Corporation to put the McCarran Act on a sound profit-making basis. The immigrant quota having been fixed by the people's needs in accordance with the principle of "conservative in economics, liberal in human relations," the Immigration Corporation will

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charge each immigrant a conservative—but not too conservative—fee to enter the country, guaranteed, when necessary, by the industrialists who order them. Once a free market in free labor is thus restored, the price of the domestic commodity will adjust itself to William Graham Sumner's law of "natural conditions of the struggle for existence." Strikes, labor arbitration, and such clumsy devices will disappear.

Other happy results of the New Era will be boundless. Instead of working for the government one or two days a week to pay taxes, everybody will work full time for our people's corporations. When we are no longer divided in our loyalties between federal collectivism and free enterprise, our national schizophrenia will be cured. No more will guilt-conscious parasites crawl among us, their heads hanging in shame under the stigma of collaboration in such Marxist projects as federal anthrax-prevention schemes, fish hatcheries, T. V. A.'s, and parcel post. All will be for one, and one will be for the corporation of all. Slumps, panics, overproduction, underconsumption, and unemployment will become specters of the past once we have illegalized their basic causes—Communists, Socialists, prophets of gloom, doom, and depression, would-be planners, egghead economists, state-interventionists, and other conspirators.

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Yes, we still have a long way to go before we get Karl Marx out of the government and the government out of business. But we're on our way, by George, and *we* know where we're going!

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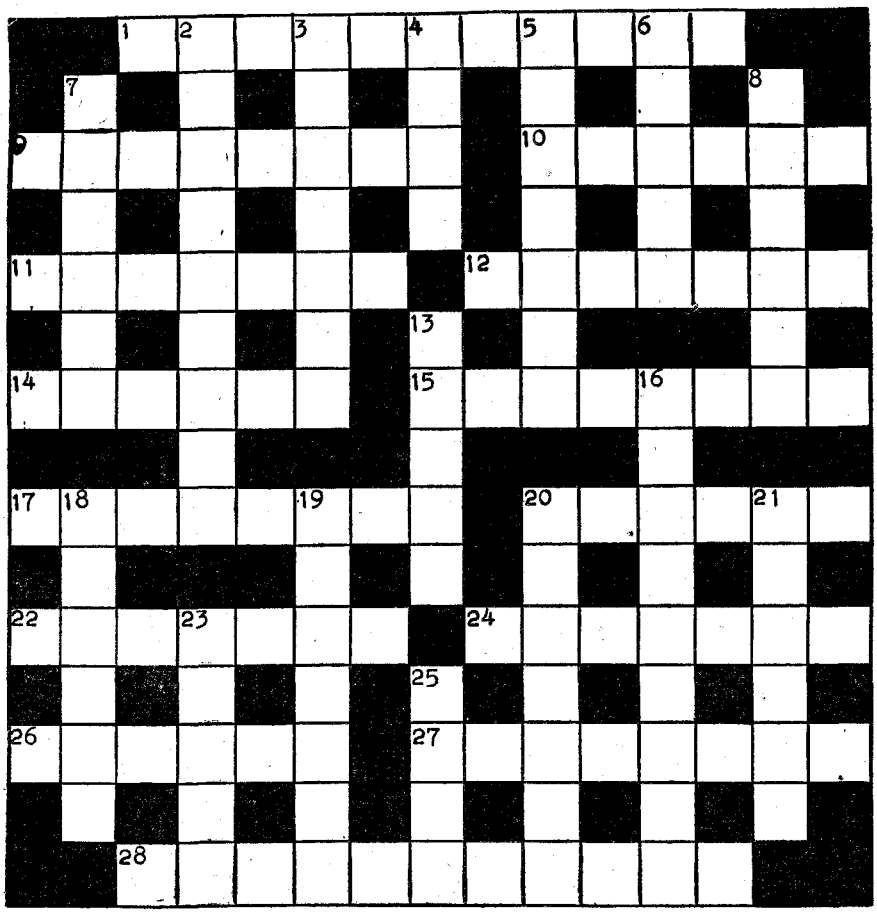
Crossword Puzzle No. 587

BY FRANK W. LEWIS



ACROSS

1 It's the circular plate or ball which makes the difference! (11)
9 Cease complaining — this involves "Crossing the Bar." (8)
10 It's sufficient that one comes back with an expression of disgust! (6)
11 Auditor, not now dirty? (7)
12 See 22 across.
14 Stone found in most of the Iberian mountains. (6)
15 Commissars? (8)
17 Made ready for the 23, as timers do. (8)
20 Decks. (6)
22 and 12 across Retirement accounts? (7, 7)
24 Fast movement. (7)
26 Sounds like a more common tool. (6)
27 Small talk sort of allows slaves to come out. (8)
28 The stuff in the middle of the tar-barrel isn't over. (6, 5)

DOWN

2 Not a deliberate way of introducing yourself to the nurse! (9)
3 and 21 down. The problem of entrance posed the U.N.? (7, 6)
4 A wild reckless fellow with big teeth. (4)
5 Warded off. (7)
6 Mary Ann Evans wanted to join the invisible one. (5)
7 It's out of this world, my dear! (6)
8 Silver clarinet? (6)
13 Smetana's was bartered. (5)
16 Relating to seizure. (9)
18 This playwright is enough to make a person sick! (6)
19 Member of a military class. (7)
20 Message of Sir Napier, upon the surrender of Hyderabad, Sind. (7)
21 See 3 down.
23 See 17 across. (5)
25 "The weariest and most loathed worldly life
That age, —, penury, and imprisonment
Can lay on nature, is a paradise
To what we fear of death." (M. F. M.) (4)

SOLUTION TO PUZZLE No. 586

ACROSS:—1 RED SQUARE; 6 KITER; 9 BOWIE; 10 READY CASH; 11 NESTLINGS; 12 TONGA; 13 REAMS; 15 MARINADES; 18 DEER LICKS; 19 SCROD; 20 RIGID; 22 IMBROGLIO; 25 ABSTAINER; 26 INCAS; 27 TIERS; 28 ROYALISTS.

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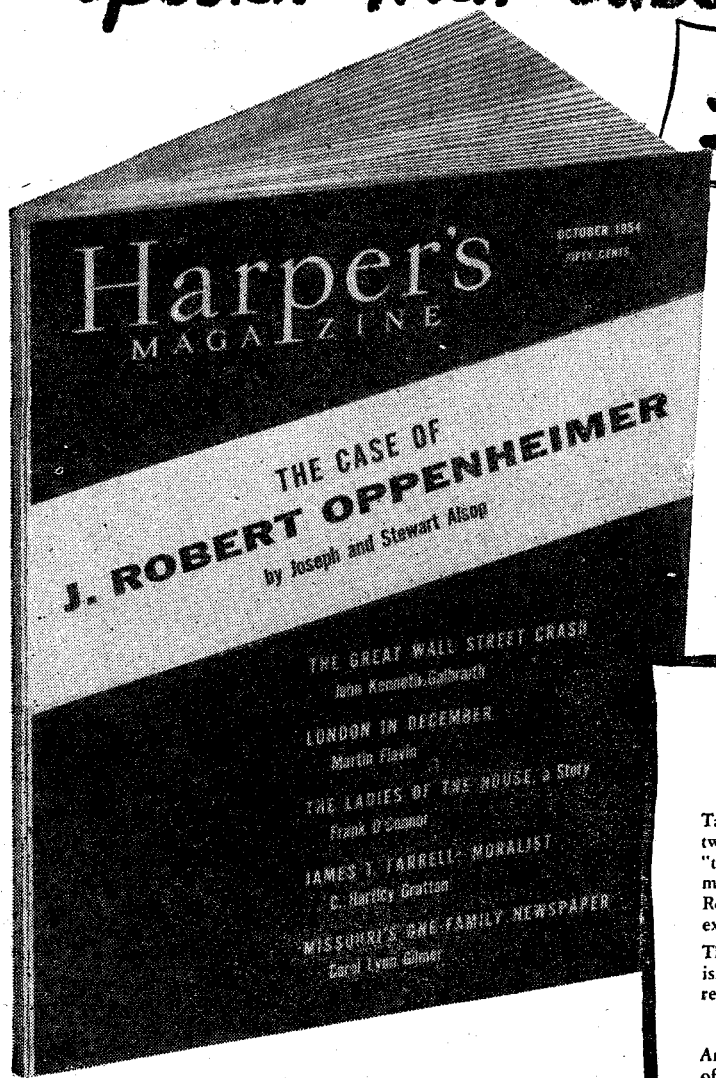

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